

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In the current era of globalization, business has a different place than the previous era. In modern world, more and more modern businesses appear in the society and they overthrow many traditional businesses like small kiosk at the side of the street. Today, modern businesses have more chance to achieve success rather than traditional businesses; it is also easier for modern businesses to fit into the society today as corresponding to the era. Although the fact that both modern and traditional business has the same purpose which is to find income, there are some differences in the management.

Compare to traditional business, modern business is easier to manage because now everything can be managed and control by modern technologies. The invention of technology makes everything easier and well manages; it could cover up the accounting system, management information system, marketing system, manage finances, manage inventory and control workflow in business. Technology in business allows organizations to improve both the performance and overall effectiveness of products, systems and services, which, in turn, enables businesses to expand quickly and efficiently.

Many places like shopping center, parks are good for gathering, business, hang out or just to meet, but restaurant and café are much more desirable for

meeting, or chilling with friends and family. Fauzi (2018), “food and beverage industry is a good opportunity to start a business. This phenomenon can be seen from the dynamics of growth on modern coffee outlets in various locations such as malls, campus, and places of entertainment that provides music or other entertainment that attracts visitors”. Food and beverage business such as restaurant and cafe are now highly demand by many people because food is inseparable from human and this business is considered to be lower at risk of failing.

The development of the restaurant industry is still one of the important sectors in increasing national income in Indonesia. Restaurant industry and food business is one of the businesses that are greatly demand by the community, because in addition to generating high profits, food is also a basic necessity for everyone. This can be seen from the consistence growth and the number of new restaurants opening throughout Indonesia.

Medan is the capital of North Sumatra Province and is one of the biggest cities in Indonesia. The bustling city of Medan makes the city has many business opportunities. In addition to bright prospects, businesses in Medan also promise big profits. Therefore, being an entrepreneur becomes a pretty much a choice. For those who live in the city of Medan and want to open a business, Medan can be one of the best choices to consider. Medan is a multiethnic city where the population consists of people who share different cultural and religious backgrounds. Therefore, in Medan city there are various types of food from

various types of different ethnics and cultures and can be used as opportunities to open your culinary business.

The development of the restaurant business is inseparable from the basic needs of consumers which is food. In this industry quality is very important for restaurant companies and consumers, because the quality of goods or services has a major influence and is related to customer's satisfaction. The definition of quality itself is a consistent conformance to customers' expectations. Fulfillment of satisfaction will also rely on product and service quality. Various experts have defined it as "fitness for use", "conformance to requirements" and "freedom from variation". According to American Society for Quality's definition is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs (Kotler and Keller, 2016, p.82). Managers need to understand precisely what customer's need and consistently delivering accurate solutions within budget, on time and with the minimum loss to society. From the theory above can be concluded that quality of service can be one of the most important strategies in a business competition.

Besides service quality, customer satisfaction is important for every company and business including restaurant and cafe. Satisfaction can be interpreted as a feeling of pleasure and relief of consumer after consuming or experiencing a product or service. Satisfaction is part of the performance felt by consumers in accordance with expectations. If the service performance or product that is given to consumers is in accordance with expectations, customers will experience satisfaction otherwise, if it is not in accordance with expectations,

consumers will be disappointed. Surjaweni (2015, p.150), “Customer satisfaction is achieved from the effort to fulfilling customer needs and expectation. Customer satisfaction is a condition where the needs, desires, and expectations of customers, can be fulfilled through the products consumed. Meanwhile, if the performance exceeds customer expectations will be very satisfied. Customer expectations can be influenced by past experience, comments from relatives and information from various media. There are benefits of satisfied customers which are customer is expected to stay loyal, less marketing cost for the company as the customer will spread good comments about the company to other people.”

Sunyoto (2015, p.232), “Every company has a goal to be able to provide satisfaction to consumers, among others is by knowing the needs and desires of consumers. This concept is often called the marketing concept that focuses on the needs of consumers as well as possible to make sure that the goods or services produced is accordance with what is desired by consumers. The requirements that must be met by a company in order to be successful in competition are trying to create and retain consumers. The quality of service is centered on the efforts in fulfilling the needs and desires of consumers and the accuracy of their delivery to achieve consumer expectations. The creation of customer satisfaction can provide several benefits including the relationship between the companies, providing a good basis for repurchase, creating customer loyalty and forming a word of mouth recommendation that benefits the company.” Thus, every company must be able to understand customer behavior in its target market. Through understanding

customer behavior, companies can develop appropriate strategies in order to take advantage of existing opportunities and outperform their competitors.”

Morgan & Hunt (2016), “Hospitality Service quality and customer satisfaction were found to be related to customer loyalty through repurchase intentions. Customer loyalty is considered to be a key factor in achieving company success and sustainability over time. Many firms have decided to use relationship marketing as a strategy to attract, maintain and enhance customer relationships and build loyalty. In customer point of view, trust, commitment, mutuality and long- term relationship with customer which are very essential factors to satisfy their customer needs and wants. In addition, trust provides the basis for loyalty, relationship enhancement (decreased perception of risk), and yet is mediated by customer perceived value of the relationship (perceived net benefits). Delivering more effective Hospitality Service quality than other is one of the ways that a firm can be successful in achieving today business and sustainability over time.”

Company should pay attention on anticipating customer complaints as it is problems which is most likely to occur in any company. Some of the customer complaints which are often encountered in restaurant are the food which took long time to be served, the employee’s feedback is not hospitality enough, etc. Companies must know as well as anticipate clearly on what consumers need and want, which will help companies to implement the right strategy of handling customer complaints, in order to reach the goal of the company (Lubis and Andayani, 2017).

The main concern why customer loyalty is difficult to achieve is because of some factors such as customer complaints and customer dissatisfaction, and because of that managers must pay attention to the Hospitality Service quality in a restaurant or cafe. Managers must increase the quality of services to avoid customer complaints and avoid failure to increase customer loyalty. Nowadays, there are many options of variety kinds of culinary place and customer demand is continuously become higher, and that makes company more difficult to gain customer satisfaction.

Despite all the best effort made by the restaurant, some people will have different opinions about the service and the level of satisfaction that they desire. Istana Koki Restaurant can try their best possible to achieve or even exceed the customer perceived expectation but sometimes things will go sideways or unplanned. Some restaurant might have excellent service but other factors like number of staff, seating space and teamwork coordination will affect how they deliver the service to the customer. In this particular case, the writer would like to find out how the restaurant can have a sufficient number of staff but how sometimes at the peak season such as weekend or holiday the staff will encounter some difficulties in delivering the maximum service.

Table 1.1
Complain Data at Istana Koki Restaurant
September 2020- February 2021

Month		Complains
September	18	1. Irresponsibility in giving bill 2. Empathy is lacking when the restaurant is busy 3. Food and beverage often take a long time to be served 4. Some menu is often sold out
October	12	
November	22	
December	17	

January	29	
February	34	

Sources: Istana Koki Restaurant, 2021

Based on the table above, Istana Koki Restaurant has decreased consumer satisfaction as seen from the decrease in the number of consumers who come and do transactions, especially on a weekdays, from Monday to Friday which is usually quite crowded has decreased. The number of consumers complained that there was an inconsistency of the taste of the food when the cafe was crowded, the food that took quite long to be served, and some of the food were less attractive because they are prepared in a hurry. The quality of service at the Istana Koki Restaurant has not run optimally and maximally to consumers. This is due to the many complaints from consumers starting from the service that has not been responsive, the waiter and waitress staff are less on the weekend such as Saturday as a result, the waiter and waitress were overwhelmed in doing the service and some consumers need to wait for a long time. This causes the level of consumer satisfaction to decrease. Some of these things trigger a decrease in satisfaction and also cause the competitiveness of Istana Koki Restaurant to decrease.

In doing business, owner does not only need to think about the excellence and quality of the business but also the desire and what the community wants to obtain from the company. To have a successful business that can last a long time, a business owner must fulfill the needs of the customer. One of the most important aspects is esteem need which is the need for feelings of prestige; the esteem needs include such things as self-esteem and personal worth. People want to sense that they are valued by other. In delivering products a company should

adjust personalized it according to the needs of the customers. That way the product can compete in the market. The advantages of this marketing technique are so that the product can be known by customers and can make customers interested in trying which at last consumers will make the decision to buy a product or not. Therefore, this research titled **“The Influence of Hospitality Service quality towards Customer Satisfaction at Istana Koki Restaurant”** is to discuss about the how a good Hospitality Service quality can impact the customers' behavior and satisfaction in Istana Koki Restaurant.

1.2 PROBLEM LIMITATION

Due to writer limitation in time, ability and knowledge, this research study aims to investigate about how hospitality service in Istana Koki Restaurant can influence the customer.

Istana Koki Restaurant often takes a long time to serve the food which can cause a bad impact on service quality (X) which can be influence by the indicator such as, tangibility, reliability, responsiveness, assurance and empathy. Meanwhile the customer satisfaction (Y) can be influence by the indicator, customer expectation, customer loyalty, willingness to recommend and perceive quality.

1.3 PROBLEM FORMULATION

Based on the background of the study above, the problem that can become the benchmark of research in identifying problem are:

1. How is the condition Hospitality Service quality of Istana Koki Restaurant?
2. How is the Customer Satisfaction of Istana Koki Restaurant?
3. Are there any influences of Hospitality Service quality towards Customer Satisfaction at Istana Koki Restaurant?

1.4 OBJECTIVE OF THE RESEARCH

The objectives of this research are:

1. To find out about the condition of Hospitality Service quality at Istana Koki Restaurant.
2. To analyze about the condition of Customer Satisfaction at Istana Koki Restaurant.
3. To analyze about the influence of Hospitality Service quality towards Customer Satisfaction at Istana Koki Restaurant.

1.5 BENEFIT OF THE RESEARCH

This research will have two categories of benefits outcomes, which are theoretical benefits and practical benefits. Theoretical benefits will support further studies of similar topic and will help the reader to understand the theories that can be imply in the company, while practical benefits will help in the implementation of the positive result from this research study.

1.5.1 THEORETICAL BENEFIT

From this research, the reader will get further knowledge of similar topics.

Here are some theoretical benefits:

1. This research paper will help reader to deepen the knowledge about Hospitality Service quality and customer satisfaction.
2. This research paper will provide guideline for the future researcher.
3. For the company, this research paper will give further understanding about service quality.
4. This will help the company to use the positive outcome to build more customer satisfaction.
5. This research paper will let the company to decide whether they need to take another step to increase customer satisfaction.

1.5.2 PRACTICAL BENEFIT

The practical benefits of this research are as follow:

1. For future researcher, this research will allow to writer also as the researcher to get more knowledge and experiences while doing the research.
2. This research paper will also give additional information and knowledge for the future researcher.
3. This research paper will provide much knowledge that can be implement into the company.
4. This research also outcomes useful suggestion for company in increasing customer satisfaction.