CHAPTER I

INTRODUCTION

1.1   BACKGROUND OF STUDY

Food business is treated as one of the largest business sectors with big prospects in this modern era and has been developing ever since. In other words, food business has become one of the many business's desirable by the community, because in addition to producing high profits, food also becomes basic needs for everyone. In a world where food and beverage are a very competitive industry, attracting customers with dedicated service along with satisfying and gaining customers' loyalty is the most important accession that must be reached. Restaurants and cafes must keep on developing to win wider market but at the same time maintaining loyal customer. If the restaurant provides good service for the customers, customers will feel very satisfied, this will lead to where the customer put their trust on the restaurant and the restaurant will automatically gain the customers' loyalty. This is very crucial because loyal customer will give a long-term contribution towards the restaurant.

Regarding the issue of how competitive restaurant business, customer loyalty should be prioritized for the restaurant to have the ability to survive, compete and dominate in this business sector. Due to these

circumstances, there are many marketing strategies and one of the ways is through service quality. One of many various factors that can affect customer loyalty is service quality. Service quality is classified as global concepts for all industries and the significant qualification for all customer despite their products and service. A well provided service quality will push the number of customers in the restaurant and the people involved in the process will have the chance to develop their ability. Service quality is one of the key factors for a restaurant to succeed in maximizing benefits and minimalize loss. Service quality also give a very significant contribution towards differentiation of invention, positioning, and marketing strategy towards every restaurant. It is also very possible to secure customer loyalty through service quality.

Medan is one of the biggest cities in Indonesia with the third largest population in Indonesia, many business inventors foresee many existing business prospects in Indonesia which is food business. This can be seen from numbers of restaurants and cafes that is increasing significantly causing the customers to have more choices. Customers does not only choose restaurants or cafes of their choice based on the products but also the service. Therefore, people who run the restaurant should provide the right service to survive in this food business industry. If customers feel satisfied towards the service they obtain, this will cause customer loyalty with the result that customer will make another purchase in the future.

One of the restaurants that is currently facing a competitive issue in the food industry is The Café restaurant. The café restaurant is located at Cambridge Hotel Medan 1st floor, it is a restaurant that provides buffet and ala carte menu and specialized in Western and Indonesian food. The Café Restaurant provide a pretty good quality of service and the food displayed by The Café Restaurant are made as attractive as possible.

According to Haqam and Hamali (2016), "there is correlation between service quality toward customer loyalty significantly".

According to the online review that complains about the service that does not meet the customer's expectation. The review complains about the waiter or waitress service performance that shows lack of hospitality. This kind of review can lead to the failure of customer loyalty and leads to customers searching for another restaurant.

Source: Google review in The Café Restaurant (2021)

For more data accuracy, the researcher has compiled several customer comments into a table from the guest comment card from the period of 2017 to 2020.

Period	Amount of Complaints	Complaints
2017 – 2020	22	The Café restaurant is too packed when crowded
	24	The customer waited too long to be seated
	30	Staff friendliness is very poor
	25	Service speed is very poor

Source: prepared by the researcher (2021)

By looking at the phenomenon of restaurant business opportunities that is still very large and increasingly intense competition within restaurant business that makes service quality and customer loyalty very important, the author decided to examine **"The influence of service quality towards customer loyalty at The Café Restaurant, Cambridge Hotel Medan"**

1.2 Problem Limitation

To obtain satisfactory results of this research, the researcher only limits this research to the phenomena the lack of hospitality given by the employee that focuses on Service Quality (reliability, assurance, tangibility, empathy, and responsiveness) towards customer loyalty (repetitive order, the habit of using a brand, recommend to other, provisions of the brand). The variables that will be discussed in this research are limited to variable X (independent variable) which is service quality to variable Y (dependent variable) which is customer loyalty. While the research area will be limited to the relevant area, which is The Café restaurant, Cambridge Hotel Medan.

1.3 **Problem Formulation**

The objective of this research is to understand the influence of service quality towards customer loyalty at The Café restaurant, Cambridge Hotel Medan. Hence, this research aims to answer questions as follow:

1. How is the service quality provided by The Café restaurant, Cambridge Hotel Medan?

2. How loyal are the customers of The Café restaurant, Cambridge Hotel Medan?

3. Does the service quality have the influence towards customer loyalty at the Café restaurant, Cambridge Hotel Medan?

1.4 **Objective of the research**

The purpose of this study is:

1. To analyze the influence of service quality at The Café restaurant, Cambridge Hotel Medan.

2. To analyze the influence of customer loyalty at The Café restaurant, Cambridge Hotel Medan.

3. To analyze the influence of service quality towards customer loyalty at The Café restaurant, Cambridge Hotel Medan.

1.5   Benefit of the research

1.5.1 Theoretical benefit.

1. For the writer, this research is used to enhance the knowledge of how service quality can influence customer loyalty.

2. For the company, this research will not only give insights and knowledge about the importance of service quality and customer loyalty but also ways to increase customer loyalty.

1.5.2 Practical benefit.

For the company, this research will give knowledge about the influence of service quality towards customer loyalty.

1.6   System of writing.

As the result of data collection as well as to simplify the discussion and understanding of this research, the writer had divided the research into five chapters which are elaborated into its sections. These are the following systems of writing:

CHAPTER 1. INTRODUCTION

This chapter explains the information about the research such background of study, problem limitation, problem formulation, objective of the research, significance of the research, and systems of writing.

CHAPTER 2. LITERATURE REVIEW

This chapter explains the review towards the information and statements that are given by experts, government, as well as trusted sources on theoretical background, prior research, and framework of thinking.

CHAPTER 3. RESEARCH METHODOLOGY

This chapter shows the concept and methods that are used by the writer to do the research such as research design, research object, data collection method, and data analysis method.

CHAPTER 4. DATA ANALYSIS AND DISCUSSION

This chapter describes the general description of research object and data analysis. In this case, the research discusses the influence of service quality towards customer loyalty.

CHAPTER 5. CONCLUSION

This is the last chapter of doing the research which consists of conclusion and recommendation.