

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays market rivalry is getting tighter due to business players who have sprung up in different industries. Especially the growth of hospitality industry that is developing very fast. This industry relies on providing the best service and focus on gaining customer loyalty.

Because of the intense competition, in order to continue to compete in the market, every business or business actor must be more careful in designing the right marketing strategy. The various facilities provided by businesses to help meet the needs of any human activity that cannot be excluded from the role of the service sector can show an increase in growth in the service sector.

A business sector that is developing very rapidly is the culinary industry. According to Industry Minister Airlangga Hartanto, Indonesia's food and beverage industry continues to expand, with growth of 10.7 percent in Q3 2018 and 8.67 percent in Q2 2018. The growth in consumption of restaurants and cafes in Indonesia, which grew in 2018, was reported at 5.47 percent and 5.39 percent in 2017, according to data from the Central Statistics Agency (2018).

This phenomenon is due to Indonesian people's shifting consumption behavior in the consumption of food and drinks, from enjoying home-cooked food to buying food in restaurants or cafes in particular, it is used as a venue for family and friends to meet, learn, and have fun. However, not all consumers are happy

with the restaurant or café services offered. This is due to a lack of awareness of the value of quality of service in pleasing consumers/customers.

Currently, because of their different activities, many people tend to choose to use those services and support them in terms of minimizing cost, having streamlined time, or even getting comfort or convenience. The comfort offered by a business would make customers feel deserving of what has been paid to get these facilities and meet the expectation. There are several types of service companies offered, such as entertainment, hotels, coffee shops, workshops, banks, hospitals, recreation areas, and so on. Restaurants or cafés are one of the most mainstream service industries. The comfort we are talking about comes from a decent standard of service.

Although the quality of products is one other factor that may affect the success of the restaurants, But the service quality also takes a big parts in developing the restaurants. Therefore, every restaurant focusing more on their service quality standards to achieve customer loyalty that feel satisfied. Satisfied customer may also tell others about the experiences that benefit them, thereby generating positive word of mouth.

*Menurut Makarti (2017: 76-77) loyalitas adalah komitmen pelanggan bertahan secara mendalam untuk berlangganan kembali atau melakukan pembelian ulang produk / jasa terpilih secara konsisten pada masa yang akan datang, meskipun pengaruh situasi dan usaha-usaha pemasaran mempunyai potensi untuk menyebabkan perubahan perilaku.*

According to Makarti (2017: 76-77) Loyalty is a deep commitment of the customer to resubscribe or regularly repurchase chosen goods/services in the future, even when there is a potential for behavioral adjustment due to the effects of the situation and marketing activities.

Customer loyalty is a very important component because it crucial of business growth, allowing happy customers to visit the restaurant again. In this era, consumer loyalty is a significant factor for the company. Undoubtedly, the meaning of consumer loyalty to Coffeenatics is that many businesses really hope to retain clients as long as possible, even though it might be forever.

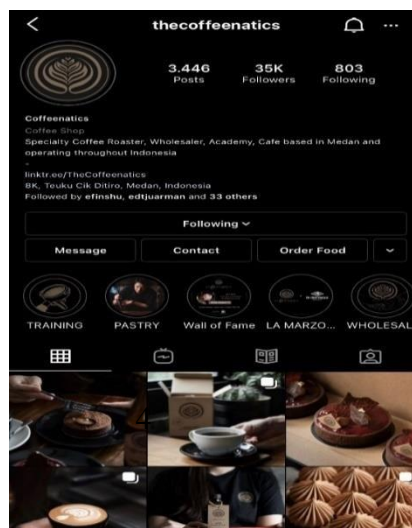
The business world is always advancing and changing rapidly, so the company needs to be able to adapt quickly and precisely to changes in the changes. If the company failure to adapt to competition or market conditions may lead to customer choosing competitor.

**Table 1.1 Table of Coffeenatics Competitor**

Brand	location
The Thirty six (2013)	Jl. Multatuli No.36, Hamdan, Kec. Medan Maimun, Kota Medan, Sumatera Utara 20151
Pilastro Signature (2013)	Jl. H. Misbah No. 18B
Monk's coffee roasters (2016)	Jl. Cut Mutia No.2, Madras Hulu, Kec. Medan Polonia, Kota Medan, Sumatera Utara 20212
Miel Coffee (2019)	Jl. Dazam Raya No.4, Petisah Tengah, Kec. Medan Petisah, Kota Medan, Sumatera Utara 20111
Blooms Café (2020)	Jl. Kol. Sugiono No.6, A U R, Kec. Medan Maimun, Kota Medan, Sumatera Utara 20212

Business cannot be well established without the allegiance of consumers, it may also threaten the company's survival. This is a very critical challenge faced today by companies. So, it's by attracting clients and maintaining their loyalty the company will be able to sustain and keep growing in this market.

For the company to be able to survive from today's business competitions, the service plays an important role in understanding either the services and products to retain the customers to achieve being a loyal customer. The researcher conducted the research at Coffeenatics Medan, one of the well-known cafés at Medan that sells specialty coffee and was established in 2015 which followed the hospitality base as a guide that is located at Jalan Cik Ditiro, No.8K – Medan. The concept of the restaurant is to achieve their goal to break the exclusivity habit, which usually in a group table only contains the customer and their inner circle. A large table that is placed on the 2nd floor of the coffee shop to eliminate privacy in one table and blend everyone who knows and doesn't know into one table. This table is a favorite spot for customers, especially digital nomads, because it can accommodate their needs to work comfortably at a large table and can interact with new friends who are also sitting at the table. As seen on the customer who tags Coffeenatics on their social media (Instagram),



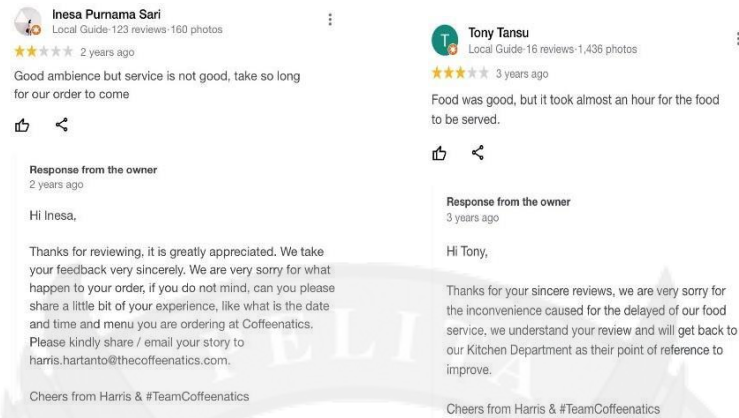
It can be said that Coffeenatics is instagramable because there are a lots of picture tagged.



Based on the writer personal experience supported by the review found on Google review, it is identified that there are several complaints about the food and drinks that took long time to be served to customers. This raises the writer's curiosity to find out how they handle the service standard to lead being a loyal customer.

<p><b>N</b> <b>Nicholas Kusuma</b> 2 reviews ★ ★ ★ ★ ★ a year ago (Translated by Google) Food and drinks are very slow (Original) Makanan dan minuman sangat lambat</p> <p><b>Response from the owner</b> a year ago</p> <p>Hi Kusuma,</p> <p>Thanks for reviewing, it is greatly appreciated. We take your feedback very sincerely. If you be kind enough to share the time and menu you order in your visit? Please kindly share / email your to <a href="mailto:harris.hartanto@thecoffeenatics.com">harris.hartanto@thecoffeenatics.com</a>.</p> <p>Cheers from Harris &amp; #TeamCoffeenatics</p>	<p><b>A</b> <b>Andrian Wijaya</b> 9 reviews ★ ★ ★ ★ ★ 2 months ago (Translated by Google) The service is not good, food preparation is slow (Original) Pelayanan nya kurang bagus,persiapan makanan lambat</p> <p><b>Response from the owner</b> 2 months ago</p> <p>Hi,</p> <p>Thanks for reviewing, it is greatly appreciated. We take your feedback very sincerely. Anything, we can improve to get ourself a 5 stars? Please kindly share / email your suggestion to <a href="mailto:harris.hartanto@thecoffeenatics.com">harris.hartanto@thecoffeenatics.com</a>.</p> <p>Cheers from Harris &amp; #TeamCoffeenatics</p>	<p><b>D</b> <b>Dede Setiawan</b> 7 reviews ★ ★ ★ ★ ★ 2 years ago (Translated by Google) Comfortable place tp nunggu lama his food. (Original) Tempat nyaman tp nunggu lama makanan nya.</p> <p><b>Response from the owner</b> 2 years ago</p> <p>Hi Dede,</p> <p>Thanks for reviewing, it is greatly appreciated. We take your feedback very ... <a href="#">More</a></p>
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Therefore, the title of this research is **“The Effect of service quality towards customer loyalty at Coffeenatics Café Medan”**.

## 1.2 Problem Limitation

This study emphasized on the phenomenon identified that there are several complaints about the food and drinks that took long time to be served to customers. The independent variable X service quality is related to the complaints about the long time of the food and drinks to be served, while the dependent variable Y customer loyalty is related to the complain made by the unsatisfied customer.

So, this study was conducted to examine the impact of service quality to customer loyalty. For the variable X, which is service quality that focusing on dimensions arranged in the order of relative importance as reliability, tangible, responsiveness, assurance, empathy and the variable Y, which is customer loyalty that will focus on the customer commitment level which included repeat buyer,

always choose the brand, recommending the brand to others, the habit of consuming the brand, always into the brand themselves, confident that the brand is the best. The research's required target population is available in the study area.

### **1.3 Problem Formulation**

1. How is service quality at Coffeenatics Café Medan?
2. How is customer loyalty at Coffeenatics Café Medan?
3. Does service quality have effect towards customer loyalty?

### **1.4 Objective of the Research**

Explained about service quality have effect towards customer loyalty

### **1.5 Benefit of the Research**

The benefits of this study are divided into two, namely theoretical and benefits practically.

#### **1.5.1 Theoretical Benefit**

Theoretically, It will give benefits to the readers or future researchers by providing knowledge and information in the future regarding the service quality toward customer loyalty.

#### **1.5.2 Practical Benefit**

Practically, to the future business owner, the results of this study are expected to be input for those who aspire to have a business in the culinary field especially in the awareness of service improve its service quality.