# CHAPTER I

# INTRODUCTION

## 1.1    Background of the Study

Indonesia is an archipelago country that is located across the earth equator. There are 5 main islands in Indonesia which is Sumatra, Java, Borneo, Sulawesi, and Papua. According to Liputan6.com (2020) in the year 2020 itself, Indonesia has already had 271.349,888 of total population all over the country, with this amount of population around the country, Indonesia has been ranked number 4 in the list for the world most populated country in the world. Medan city is ranked 3$^{rd}$ for most populated cities around Indonesia. In the past 10 years, economic development has been helped by tourism in many countries, this also include in Indonesia. In a long run, Indonesian demands for hospitality industry will remain intact, thanks to expanding and growing of population and foreign tourist visiting Indonesia.

By having a lot of people around the city could bring 2 sides of impact, positive and negative. Positive impact, as Medan has a large population, there will be many customers that will come to your place, while the negative impact is, we cannot always please everybody, because everybody has their own standards and their own satisfaction level.

Hotels industry is the heart of hospitality and tourism industry. Because every person that wants to travel, firstly they will book a hotel room for their shelter for their destination. Hotel and hospitality industry is one of the fastest growing industry for services sector. Hotel industry is categorized as tangible and intangible product because hotel provides rooms, facilities, food, and beverage which is a real product, while their services, security and comfort are not real products, but people can feel it.

Hotel industry cannot run away from service quality. Service quality is one of the reasons why guest wants to stay in hotel. Service quality has a role in guest decision making process. Customer satisfaction always has a key on service quality that has been provide as well in creating customer loyalty. Although there have been much research about service quality, customer satisfaction and customer loyalty, there will always be a debate among this three relationship. Even when there is good and excellent perform of service quality and customer are satisfied, it does not mean that the customer will comeback. A customer can change their decision if there is another offer from competitor that excites them, such as better price, new experience, accommodation, and service quality. "This means that the customer's perception of service quality is influenced not only by what is delivered (outcome) but also by how it is delivered (process) in the service process "(Priporas et al. 2017)

The location that we choose for this research is Grand City Hall Hotel, Medan. This hotel is located on Jl. Balai Kota No.1, Medan, North Sumatra, 20112

This hotel has a very strategic location, which is in the heart of Medan city. The hotel building of Grand City Hall is unique, because it gives us the look of old historical architecture with a touch of modern accommodation and feelings.

**Table 1.0 Rooms Sold at Grand City Hall Hotel, Medan**

| Year | Rooms Sold | % Change |
|------|-----------|----------|
| 2018 | 57486 | |
| 2019 | 42359 | -35,7 |
| 2020 | 38326 | -10,5 |

Source : Prepared by Writer (Grand City Hall Hotel, Medan)

**Table 1.1 Reason why service quality and customer satisfaction is a problem at**

**Grand City Hall Hotel, Medan**

| No | Name | Star | Review | Indicator |
|----|------|------|--------|-----------|
| 1 | Sahat | 2 / 10 | 1. Untuk cek in butuh waktu 1 jam 2. Menu sarapan pagi kurang lauk ikan dan ayamnya staf di restaurant tidak tanggap kalau makanan nya habis | Emphaty, Responsiveness |
| 2 | Sisca P` | 6.3 / 10 | Staf tidak ramah , Tidak bisa dikatakan Bintang 5 , Tidak sesuai dengan Kualitas Pelayanan Hotel | Performance, Expectation |
| 3 | Bela R.H | 6.3 / 10 | Cara kerja resepsionis lambat, sambutan sangat tidak menyenangkan. | Performance, Overall Satisfaction |
| 4 | Sari | 2.8 / 10 | Kurangnya info mengenai tiket parkir yg harus discan dulu, supaya pas keluar hotel bisa free. Dan lingkungan hotel juga tidak nyaman karena sangat ramai pengunjung, lift hotel juga lama. | Reliability, Overall Satisfaction |
| 5 | Erlin | 7.7 / 10 | Ini kesekian kalinya menginap disini.. Tetapi terakhir x ini sungguh mengecewakan...kamar sudah tidak begitu bersih, ada sedikit bau... Pilih kamar premier deluxe ternyata ribut minta ampun... Tolong lebih di perhatikan... letak sudah straregis.. tapi harga dan kualitas sungguh tidak sebanding. | Overall satisfaction, Expectation, Tolerance of Price |
| 6 | Satya | 6.4 / 10 | Penerapan prokes sangat rendah, proses check in dan check out bikin antrian panjang tanpa physical distancing. Sangat tidak direkomendasikan, terutama saat libur panjang. | Assurance, Overall Satisfaction |

Source : Prepared by Writer (2021)

The table above shown the last three years of rooms sold and the internet review of Grand City Hall Hotel .Because of tight competition in the market, in order to increase customer satisfaction and customer loyalty, the writer think that service quality probably the key to the answer in the problem. By proving the influence between service quality on customer satisfaction and customer loyalty. Based on that, the writer want to conduct a research with the title **"The Influence of Service Quality on Customer Satisfaction and Customer Loyalty at Grand City Hall Hotel, Medan".**

**1.2 Problem Limitation**

There are many factors that may contribute to customer satisfaction and customer loyalty at Grand City Hall Hotel. for example in service quality, there is problem in hotel check in and out timing, employee hotel knowledge, and unwelcomed greetings by employees so the writer decides to use servqual model as the indicator. While for customer satisfaction, most customer didn't satisfied with the front office working slowly and the writer decides to use perceived performance, expectation and overall satisfaction for the indicator. While for customer loyalty, there are problem in previous customer that didn't want to recommend other to stay in this hotel, so the writer decide to use ntention to repurchase, Tolerance of price, Inclination of recommendation, Resistance to company competitors promotion as the indicators.

**1.3     Problem Formulation**

According to the background of study that we have given above, the research questions are as follows :

a.  Does service quality have influence on customer loyalty at Grand City Hall Hotel, Medan?

b.  Does customer satisfaction have influence on customer loyalty at Grand City Hall Hotel, Medan?

c.  Do service quality and customer satisfaction simultaneously influence customer loyalty at Grand City Hall Hotel, Medan ?

**1.4   Objectives of the Research**

Objective of the research in the final paper are as follows :

a.   To investigate the influence of service quality on customer loyalty at Grand City Hall Hotel, Medan

b.  To investigate whether customer satisfaction has influence on customer loyalty at Grand City Hall Hotel, Medan

c.  To discover whether service quality and customer satisfaction simultaneously influence customer loyalty at Grand City Hall Hotel, Medan?

## 1.5 Benefits of the Research

### 1.5.1 Theoretical Benefits

This research is expected to contribute to existing theory about service quality, customer satisfaction and customer loyalty

### 1.5.2 Practical Benefits

a. For the writer, this research could add writer's knowledge about service quality, customer satisfaction and customer loyalty in hotel industry.

b. For the company, from this research that the writer conduct the company can provide a recommendation to improve their customer satisfaction, customer loyalty by service quality.

c. For other researchers, practical benefits that other researcher will receive from this research is, this research will help them as their reference for their research that have the same variables as this research.