

# CHAPTER I

## INTRODUCTION

### 1.1 Background of Study

Due to the current state of Covid-19, several businesses globally are experiencing a huge crisis and one of them is the hotel business. This will also lead to enthusiastic business competition for competitors who can compete with each other to win the hearts of customers and can build customer satisfaction. However, hotel business players must also consistently improve their business by providing added value that differentiates them from other hotels. The added value offered will provide further stability and encourage potential customers to make return visits to the hotel.

In this day and age, every business will definitely feel the tight competition like the current Hospitality business. Hotel is a service that can provide facilities from an inn in the form of services, both from eating and drinking, as well as other services carried out in general. Thus, as we know today, by knowing that the rapid development of a hotel in Kota Pinang, Labuhanbatu Selatan, hoteliers are also required to recognize customer behavior and then be able to adjust the hotel company's capabilities to the needs of customers.

The growth of a success in marketing a hotel is not only judged by how many customers are found, but by how to keep customers who must ensure adjustments to customer satisfaction. Satisfaction is the view of someone who feels a person's feelings of pleasure or disappointment when presupposing one's response to an outcome of performance. Then there are factors that influence the existence of a satisfaction, such as service quality and price. Service Quality is the willingness of a hotel to increase service quality to its customers because all hotels can complete their facilities properly, but not all hotels can provide good service. However, a hotel that prioritizes quality service will certainly affect customer satisfaction. In addition to service quality, price is also one of the most important factors in entrusting customer satisfaction. Price is something that is based on customer comments on the value they receive but not only on the costs of sellers and producers.

Population growth and economic growth will also make the tourism sector increase, in this case the need in question is how the hotel can provide services quality to customers who come every day according to customer satisfaction. Tourism is the largest and fastest growing industry in the world. The more tourists who visit a tourist attraction or the development of an area because of tourism, one of the things that is needed is a hotel. In this case the hotel becomes very important because it has become a necessity for resting, meeting or planning other activities while traveling. Hotel is an organization engaged in services to serve customers who come every day.

In serving customers, they are required to provide the best service and create different creativity or innovations to develop hotel visitors as the best and affordable service providers as seen from the ease of obtaining information.

Providing the best service to hotel customers who come will create satisfaction for every customer. The purpose of service here is that it is all forms of services provided. Therefore, the service quality is very centered on the desire and accuracy in customer expectations and meet customer needs. This includes all forms of service provided by a hotel as long as the customer remains at the hotel which includes services provided by the receptionist, room service, cleaning service, security, etc. Therefore, companies must think about the importance of more mature customer service through service quality.

While intense competition will have an impact on a company in meeting the wants and needs of its customers by offering various types of products, here the impact on customers who have many choices of strong bargaining power that encourages each hotel to continue to ensure its orientation to customer satisfaction as a goal that main. Basically the company is also increasingly convinced that the key to success in leading that competition lies in every ability will always provide value to customers that can satisfy customers through quality products and at competitive prices and also customer satisfaction which will lead customers to make repeat purchases and recommend them in terms of positive. The number of consumers has a very large influence on the survival of a company engaged

in the sale of services, because for service companies, customers are a source of income. In this case, the more the company's customers in the hotel, the greater the revenue that can be achieved by the company, and conversely, the less the company's customers, the less revenue that can be achieved by the company. Therefore, superior and consistent service quality can provide customer satisfaction which in turn will provide a good basis for repeat service users, encourage the creation of customer loyalty, form word of mouth recommendations that benefit a company, and the company's reputation will be good in the eyes. customers and profits can be increased. Then consumers will also compare the services provided by the company with the services they expect. In this case when the customer is satisfied, the customer will tell his experience to others so that every company benefits, then if the customer is not satisfied then the customer will also tell the experience that has disappointed others that the image and existence of the company will worsen resulting in a decrease in the number of company service users.

By increasing customer satisfaction is one way they compete. One of the things that must be considered in increasing customer satisfaction is good service quality. Service quality is one of several important factors in running a business. Therefore, where entrepreneurs are competing in developing good service quality to customers. This is one way that entrepreneurs can improve maximum service to their customers. Quality improvement is a marketing strategy that prioritizes customer satisfaction.

To do a service quality, one of the efforts that the company can do is to offer services that can be accepted and felt by customers according to or exceeding what customers expect. The higher the perceived service quality compared to expectations; the more satisfied customers will be.

The satisfaction that customers go through will have a positive impact on the company, including encouraging the creation of customer loyalty and the company's reputation will be more positive in the eyes of society in general and customers in particular. Therefore, every company needs to try to understand the values expected by customers and on that basis then try to fulfill those expectations as much as possible. Then with so many ways that can be passed to be able to find out the expectations and needs of customers such as by monitoring customer satisfaction by conducting observations, surveys, lost customer analysis. In an effort to achieve total customer satisfaction is not easy, this does not happen if the company does not expect dissatisfied customers. However, every company must try to minimize customer dissatisfaction by providing better service. Then at the same time companies need to pay attention to dissatisfied consumers.

There are several hotels that compete against the market, including the Royal Permata Hotel and Istana Hotel. But Grand Suma Hotel is one of the three-star hotels in Kota Pinang and that has long served tourists and other business people. Therefore, this hotel must also continue to compete in order to attract its customers even though there are more and more new

hotels that are currently standing which create price competition, therefore Grand Suma Hotel Kota Pinang revenue has decreased in the midst of sharp competition to conquer hotel customers. In this case, the quality of service at competitive prices also has the capacity to conquer every hotel customer moreover the hotel business can survive in the competition of a business.

In addition to the well-known hotels in Kota Pinang, Grand Suma Hotel still has customers who are dissatisfied with their services and customers who have stayed at the Grand Suma Hotel Kota Pinang are not sure to refer Grand Suma Hotel Kota Pinang to others which has led to decreased customer satisfaction. There is a decrease in customer satisfaction due to service quality and price. Customers who are dissatisfied with Grand Suma Hotel Kotapinang because customers can find out that the performance provided by Grand Suma Hotel Kota Pinang is not as expected and the price offered is still considered too expensive that customers cannot afford to rent Grand Suma Hotel Kota Pinang. Therefore, customers actually feel that the service quality is not good because of the lack of response from hotel employees in responding to customer complaints during their stay at the Grand Suma Hotel Kota Pinang, such as the lack of checking when customers come to stay at the Grand Suma Hotel Kota Pinang that customers are worried about their safety, lack of employee hospitality towards every customer, and employees who don't say thank you after customers stay at Grand Suma Hotel Kota Pinang.



**Table 1.1**  
**Customer Review of Grand Suma Hotel from Google Reviews**

| Month    | Excellent | Good | Average | Poor | Very poor | Negative reviews  |
|----------|-----------|------|---------|------|-----------|---|
| January  | 1         | 2    | 0       | 2    | 1         | Employees who don't wear masks, dining room full of cigarette smoke |
| February | 2         | 0    | 0       | 1    | 2         | Food that runs out before 8 am                                      |
| March    | 4         | 0    | 0       | 1    | 1         | There is a puddle in the room                                       |
| April    | 3         | 1    | 2       | 1    | 2         | Breakfast menu is not varied  |
| May      | 4         | 2    | 1       | 3    | 1         | Room not cleaned properly   |
| June     | 6         | 0    | 1       | 2    | 2         | Employees are slow in providing service                             |

Source: Google reviews (2021)

From google reviews, it appears that reviews are still found in the poor and very poor categories with negative comments which include employees not cleaning the rooms cleanly, running out of food menus, employees who are slow in serving guests and the presence of cigarette smoke in the room.

**Table 1.2**  
**Data Room type and Price of Grand Suma Hotel Kota Pinang**

| Room Type            | Price         |
|----------------------|---------------|
| Deluxe Room          | Rp. 350.000   |
| Executive Room       | Rp. 450.000   |
| Junior Suite Room    | Rp. 600.000   |
| President Suite Room | Rp. 1.800.000 |

Source: Grand Suma Hotel Kota Pinang, Labuhanbatu Selatan 2021

In this case, the problem that the company realizes is the poor service quality provided to customers, such as friendliness in serving customers who come but also prices that are more expensive than other hotels, such as competition between hotels at the Royal Permata hotel at a price of around Rp. 300,000 per night. complete with modern rooms with adequate air

conditioning and Wifi facilities and equipped with meeting rooms and restaurants at the hotel, then Istana Hotel at a price of Rp. 150,000 per night includes free breakfast and can enjoy the beauty of the garden, Meanwhile, Grand Suma Hotel at a price in Deluxe Room Rp. 350,000, Executive Room Rp. 450.000, Junior Suite Room Rp. 600.000, President Suite Room Rp. 1.800.000 per night is equipped with air conditioning, Wifi, parking, and a restaurant which is almost the same as in other hotels which is not comparable to the service quality provided by customer who come and the price is higher than other hotels, but Grand Suma Hotel does not believe that service quality factors affect the decrease in the number of their customers. In addition, customer satisfaction is not the main thing for them, therefore continue to run their business from year to year like that and do not innovate according to the times and customer demands. Because of these problems, the manager of Grand Suma Hotel Kota Pinang admits that it is difficult to maintain customer loyalty. In addition, they must also try to find new customers that the company can operate optimally. From the table below:

**Table 1.3**  
**Data of Total Customer Visitors in Grand Suma Hotel Kota Pinang**  
**2015 to 2019**

| <b>Year</b> | <b>Number of Total Customer</b> | <b>Customer Complain</b> |
|-------------|---------------------------------|--------------------------|
| 2015        | 338                             | 15                       |
| 2016        | 316                             | 32                       |
| 2017        | 286                             | 27                       |
| 2018        | 279                             | 34                       |
| 2019        | 274                             | 47                       |

Source: Grand Suma Hotel Kota Pinang, Labuhanbatu Selatan 2019



Based on the data, the number of visitors to the Grand Suma Hotel every year from 2015 to 2019 has decreased every year. In this case, the highest number of visitors occurred in 2015 with 338 visitors and the lowest number of visitors occurred in 2019 with 274 visitors. The decrease in the number of visitors that occurred in 2015 was due to an indication of a decrease in the quality of services provided by the Grand Suma Hotel Kotapinang. And this decline continues to occur every year from 2015 to 2019 which can affect the satisfaction of customers who visit the Grand Suma Hotel Kota Pinang.

The level of customers at the Grand Suma Hotel Kota Pinang, Labuhanbatu Selatan in recent years is very less in achieving the sales targets that have been set, in fact it has always decreased in recent years. This creates a sense of customer satisfaction that is quite low, causing very few customers to stay at the Grand Suma Hotel Kota Pinang where in the unsuccessful achievement of the customer at the Grand Suma Hotel Kota Pinang ensure that in the management of the hotel there will be problems that can indicate customer satisfaction. Low due to lack of service quality and prices that are not in accordance with the facilities provided to customers so that customers do not know of any privileges or advantages possessed by Grand Suma Hotel Kota Pinang. The cause of the low customer satisfaction of Grand Suma Hotel can be known by the presence of complaints caused by customer perceptions that are not in accordance with the services provided by the hotel company.

Customer complains perceptions are seen increasing every year due to customer discomfort at the Grand Suma hotel because the issues about the service quality are received from the customer feedbacks who are not satisfied with the quality of service received from Grand Suma Hotel consist of the employee of Grand Suma Hotel are impolite and less friendly in serving the customer. For another example is when a customer arrives, there is a lack of response from employees to customers in greeting or greeting when the customer first visits the hotel and the lack of response from employees when receiving input and in dealing with complaints from customers.

Based on the background above and see how important service quality and price is in order to realize customer satisfaction, the researchers are interested in conducting a research entitled **“The Influence of Service Quality and Price Toward Customer Satisfaction at Grand Suma Hotel Kota Pinang, Labuhanbatu Selatan”**.

## **1.2 Problem Limitation**

Due to limitation and ability, the writers set variable problem limits on service quality( $X_1$ ) and price( $X_2$ ) as independent variables, and customer satisfaction as dependent variables (Y), The research conducted in Grand Suma Hotel Kota Pinang, Labuhanbatu Selatan. The indicators of the Independent Variable are Service Quality( $X_1$ ) in this study are Tangible, Reliability, Responsiveness, Assurance, and Empathy (Tjiptono, 2018, p.70). and Indicator Price( $X_2$ ) in this study are Price affordability, A set

price, Price compatibility with product quality, and Price competitiveness (Kotler as cited in Amalia and Asmara 2017 p.663). And the Indicators of the Dependent variable is Customer Satisfaction(Y) in this study are Comformance of expectation, Interest in visiting again, and Wilingness to recommend (Hawkins and Lonney as cited in Tjiptono 2018 p.101).

### **1.3 Problem Formulation**

Based on the limitations of the problem above, the formulation of the research problem is as follows:

- a. How is Service Quality implemented at Grand Suma Hotel Kota Pinang?
- b. How is Price implemented at Grand Suma Hotel Kota Pinang?
- c. How is Customer Satisfaction implemented at Grand Suma Hotel Kota Pinang?
- d. Does Service Quality have influence toward Customer Satisfaction at Grand Suma Hotel Kota Pinang?
- e. Does Price have influence toward Customer Satisfaction at Grand Suma Hotel Kota Pinang?
- f. Do Service Quality and Price have influence toward Customer Satisfaction at Grand Suma Hotel Kota Pinang?

## **1.4 Research Objective**

Based on the problem formulation above, the research objective is as follows:

- a. To identify Service Quality implemented at Grand Suma Hotel Kota Pinang.
- b. To identify Price implemented at Grand Suma Hotel Kota Pinang.
- c. To identify Customer Satisfaction implemented at Grand Suma Hotel Kota Pinang.
- d. To identify relation Service Quality have influence toward Customer Satisfaction at Grand Suma Hotel Kota Pinang.
- e. To Identify relation Price have influence toward Customer Satisfaction at Grand Suma Hotel Kota Pinang.
- f. To identify Service Quality and Price have influence toward Customer Satisfaction at Grand Suma Hotel Kota Pinang.

## **1.5 Benefit of Research**

### **1.5.1 Theoretical Benefit**

- a. The results of this research is expected to be useful as input for the development of science, especially hospitality and management.
- b. This research can develop knowledge of how relationship between service quality and price with customer satisfaction at Grand Suma Hotel Kota Pinang.

### 1.5.2 Practical Benefit

#### a. For Researchers

1. To find out the application of the theory obtained in class with the reality that occurs in the field, regarding the Influence of service quality and price towards customer satisfaction who come.
2. As a condition for obtaining a Bachelor of Education degree.

#### b. For Companies

1. As a material consideration for companies in developing hotel policies, especially those related to service and employee performance towards customer who come.
2. As a suggestion to be able to receive input from customers who have visited.

