

CHAPTER I

INTRODUCTION

1.1 Background of Study

Hospitality industry is the largest business fields that evolved around the world. This can be seen from the business engaged in hospitality industry which are restaurants, hotels, bars, air lines and many more that come in countless amounts. As hospitality industry keep advancing, it cannot be denied that businesses keep expanding at fast rate. Overtime, the hospitality industry keeps changing the way to fulfill the customers need. It's became the essential sources where huge income are gained from the customers who use the business products and services. Due to that, many businesses try to strive to seek for opportunities to meet the customers demand because customer preferences are continuously changing, especially in terms of products and services.

As year passed, many businesses are growing, and competition will occur with other businesses. One of the main strategies in dealing with competition is to attract more customers, it encourages businesses to find ways to reach many customers using their products and services. This is caused by changing customer behavior as businesses face great challenges in understanding customers' needs and wants. Moreover, customers are likely to be critical and keen because each customer has a different perception in determining products and services. Due to that, businesses compete each other to maintain the quality in offering a variety of products and services to the customers. Hence, it might drive business to generate

a high amount of income that was gained from customers procurement from maintaining product quality and service quality.

Indonesia as the developing country, opportunity for starting a business might be counted huge. Food and beverage business has the potential to advance itself as Indonesia is well known for rich spices that make the food appear in many selections. Medan as of the biggest metropolitan cities and largest city of Indonesia, many food and beverage business come up in higher number as it was established from time to time. Moreover, Medan is well known for its culinary and cuisine, many food and beverage favored by tourist. With this, possibility for entrepreneurs operate business might contribute bigger growth to attract tourist. By viewing this condition, entrepreneurs will not hesitate to build their own food and beverage business. As many food and beverage business keep growing in Medan, it affects the customers choices in choosing the best products and services that provided by the business. As a result, businesses did not have its capability to dominate in the food and beverage sector where it is hard to compete with other businesses. Looking at this situation, entrepreneurs ought to think the ways to overcome increasingly competition.

One of the food and beverage businesses that demanded by entrepreneurs now is cafe. Cafe is a suitable destination for people to hang out with family, friends, and acquaintances. As time goes by, the development of cafe business goes through many changes. Therefore, citizens will follow these changes which these changes will affect their lifestyles. The main characteristics of citizens in choosing a cafe are seen from the cafe which have modern design and aesthetic photo spots.

Moreover, it is affected by the citizens trends that emerge from the customers interest to dine in the cafe. That is why every entrepreneur should consider how to build a cafe with attractive concepts that can attract customers' interest. To compete in the business sector, cafe should prioritize more in their product quality and service quality. This is because when customers dine in cafe, product quality and service quality were the thing that offered to customers in the first hand. Cafe business could gain customer satisfaction if the quality of products and services match with the customers expectation.

Service quality is the ability of service providers to deliver services in well-mannered action. According to Surahman et al. (2020), service quality become essential factor that must be guarded by every employee that work in particular company. While product quality is the products features that contribute to fulfill customers requirement. According to Putri et al. (2020), product quality is the product capacity to play the role based on its own functions. Cafe business could gain customer satisfaction if the expectation toward the quality of products match with the customer requirement. Starting by providing dedicated service and product quality, it could form customer satisfaction. If the cafe provides great quality products and services, customers impression toward the cafe might be good and customers would want to develop trust on the cafe. In other side, poor quality services and product would emerge customers disappointment that might lead to dissatisfaction.

Customer satisfaction is an important foundation in any growing business. It is perceived as valuable asset to bring high profitability to every business.

According to Aimee (2019), customer satisfaction is the result of the service received exceeds what the customers expect, and it also leads to purchasing behavior of customers in using products. In other words, customer satisfaction derived through the value of product quality and the quality of service provided which is expected by customers. If customers are satisfied, they will be committed to purchasing products and services repeatedly at the same cafe. Customer satisfaction also arise from the experience felt by customers they had use the products and services. Their experience in the cafe might generate pleasant and unpleasant behavior toward the products and services. Pleasant Customer could encourage themselves to spend other time and spend more money at the cafe while unpleasant customers did not want to come back at the cafe.

Located in Dagan Street, 38 Coffee Lab as the research object is known for their specialty in making their own signature coffee. Not just coffee, 38 Coffee Lab also provide various food and beverage that suitable for every people taste. Initially operating their business at their own store, their business also available at Grab application now. In order to know 38 Coffee Lab products and service, the researcher observe how customer feels toward about their product quality and service quality by looking from the customers google review. Apparently, there are some bad reviews complaining about their product quality and service quality. Besides, there are also customers who give good review with bad review. Below the researcher had gathered some customers review who have experience visited 38 Coffee Lab.

38 Coffee Lab

Jl. Dagan No.2h, Sekip, Kota Medan, Sumatera Utara

4,6 ★★★★★ 314 ulasan ?

A Azlan Syahputra
6 ulasan

★★★★★ 2 tahun lalu

Terlalu lama menyiapkan pesanan, sampek ngantuk2, tobat lah kesini lagi

38 Coffee Lab

Jl. Dagan No.2h, Sekip, Kota Medan, Sumatera Utara

4,6 ★★★★★ 314 ulasan ?

E Elly Liu
Local Guide · 36 ulasan · 22 foto

★★★★★ 3 tahun lalu

Nice coffee but slow in service

38 Coffee Lab

Jl. Dagan No.2h, Sekip, Kota Medan, Sumatera Utara

4,6 ★★★★★ 314 ulasan ?

Miss D
Local Guide · 106 ulasan · 105 foto
★★★★★ 2 tahun lalu

Nice atmosphere, staff friendly, food and drink okay. Mie aceh using spaghetti and suitable for spicy lover, taste okay. Beef bulbogi love the fries however not so impress with the taste, far from what i expect ☹️ but still okay. Pls visit if u looking for small cafe that hv calm atmosphere and serve u very nice

38 Coffee Lab

Jl. Dagan No.2h, Sekip, Kota Medan, Sumatera Utara

4,6 ★★★★★ 318 ulasan ?

Andre Fabianto
Local Guide · 75 ulasan · 132 foto
★★★★★ setahun lalu

(Diterjemahkan oleh Google) nilai untuk uang tetapi tidak besar untuk sandwich (perbaikan besar). Anda mungkin perlu mendesain ulang di lantai atas agar lebih nyaman

(Asli)
makannya value for money tapi big no untuk sandwichnya (perlu big improvement). Mungkin perlu re-design dikit di upper floor supaya lebih cozy duduknya

38 Coffee Lab

Jl. Dagan No.2h, Sekip, Kota Medan, Sumatera Utara

4,6 ★★★★★ 318 ulasan ?

B Bambaeng Sutedjo
2 ulasan

★★★★★ 3 bulan lalu

Pernah berkunjung kesini untuk pertama kali nya
Diajak teman untuk mencoba salah cafe yang okay di kota medan.
Tetapi kenyataan terkadang tidak dapat sesuai dgn ekspektasi
Saya menemukan servis yang lumayan kurang berkualitas yaitu dirty, which is terdapat beberapa jentikan dan sidik jari di piring dan gelas minum.
Serta makanan yang menurut saya masih kurang pas untuk dibilang enak atau good enough, dimana menurut saya kualitas dari menu perlu ditingkatkan lagi. Dimana ini membuat saya merasa biasa saja dalam first impression for the cafe.
Secara pricing is oke, kopi oke
Suasana agak sempit yah.
Semoga masukan dari ini dapat meningkatkan kualitas dari servis serta produk makanan yg ditawarkan

Figure 1.1 Customers Google Review of 38 Coffee Lab

Source: Prepared by the writer (2021)

Although there are good reviews stated, the customers also complaint the product and services at the same review. The customers complaint that they did not impress with the food taste as the food is far from what they expected, food is not good enough where the food need improvement, slow service speed due to food that take long time to serve and poor quality of service as fingerprints that stick to the glasses which is dirty. Looking from the customers google review, it seems 38 Coffee Lab should enhance or making improvement about their product quality and service quality. This issue must take into consideration by 38 Coffee Lab because this kind of review might affect the customer interest to dine in the cafe.

It is important for 38 Coffee Lab to maintain their quality of product and services as customer give evaluation of products and services through reviews. Once the customer had experience using the products and services, they might make assessment toward the cafe product quality and service quality. The assessment might be beneficial for company, but it also creates disadvantage for company because not all good reviews are written but bad reviews are written as well. That is why the cafe must provide well provided services and products to customer because customer assessment toward service quality and product quality that determine that customer would perceive satisfaction or dissatisfaction.

In this competitive market, Food and beverage business is a business that is become trendsetter and growing in this modern era. Since food and beverage are the major necessity for everyone. Food and Beverage businesses is one of the businesses that desirable by entrepreneurs. Considering that food and beverage business might create long term benefit, it attracts entrepreneurs' interest to start

business engage in food and beverage. In a world full of food and beverage business competition, this leads all companies to build creative businesses. Besides that, it encourages companies to create innovative products and services where the products and services can provide added value for customers. More significantly, the main thing for every company is surviving as well achieving competitive advantage from high competition between other businesses.

Although 38 Coffee Lab can advance year by year, opportunity for new cafe and other cafe to grow is very high. To win wider market, 38 Coffee Lab must strive to maintain and improve customer satisfaction by provide satisfying service quality and product quality to customers. Thereby, the quality of products and services that carried out by 38 Coffee Lab must be implemented properly. If customers are truly satisfied, customer would eventually make another purchase in the future as they had placed their trust to the cafe until the end. By guarding the product quality and service in their cafe, customer satisfaction could be attained and remain for long period of time.

By looking to the problem where food and beverage business are so highly competitive nowadays as customers choices and preferences constantly changing all the time due to numerous amounts of cafe in Medan in which every cafe should maintain their product quality and service quality to attain customer satisfaction. Therefore, the author decided to examine **“THE INFLUENCE OF PRODUCT QUALITY AND SERVICE QUALITY TOWARD CUSTOMER SATISFACTION AT 38 COFFEE LAB MEDAN”**

1.2 Problem Limitation

To obtain satisfactory result of this research, the researcher only limits the problem into product quality and service quality as the independent variable and customer satisfaction as the dependent variable. While the entire research which would be conducted at 38 Coffee Lab Medan which as the research object. Additionally, the research subject would be the customers of 38 Coffee Lab Medan.

1.3 Problem formulation

Referring to the background of study that had been stated above, the problem formulation would be described as follow:

1. How is the condition of product quality at 38 Coffee Lab Medan?
2. How is the service quality provided at 38 Coffee Lab Medan?
3. In what way 38 Coffee Lab maintain customer satisfaction at the cafe?
4. Does the product quality and service quality influence customer satisfaction at 38 Coffee Lab Medan?

1.4 Objective of the research

The purposes of this research are written as below:

1. To analyze how well the product quality provided by 38 Coffee Lab Medan.
2. To identify how well the service quality provided by 38 Coffee Lab Medan.
3. To know how 38 Coffee Lab Medan maintain their customer satisfaction.
4. To discover whether product quality and service quality influence customer satisfaction at 38 Coffee Lab Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

It provides better understanding and additional knowledge for the author from the research that being studied. Besides, this research might act as useful information for the company to consider what improvement can be done to maintain the company performance.

1.5.2 Practical Benefit

1. For 38 Coffee Lab, it can be used as helpful material and input for the company management.
2. For other researcher, it can be used as reference for further analysis who applied the same research in their chosen field.

