

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this era of globalization, many things have changed with the influence of the rapid development of technology such as in medical, education, transportation, and many other things that are also affected by technology, including in the business world where it also keeps growing in a very fast pace. One of those is a business in the culinary or food and beverage (F&B) field. The great amount of businesses that have emerged yielded a great increase of cafes and restaurants causing fierce competition in the industry due to high demand for places to hang out, including in Medan. Therefore, to deal with such matters, entrepreneurs have to be fast and competent in making decisions so that their business can survive and thrive properly, especially for older businesses. Thus, it is essential for business owners to satisfy their customers and prevail over their competitors. In order to do these, it is crucial for companies to comprehend the desires and necessities of their customers. By recognizing the desires and necessities of customers, companies are able to generate satisfaction for their customers and survive in the middle of the fierce competition. Able to fulfill the needs, desires, and satisfy customers with good services are the principles for the success of a business in a highly competitive industry. Hence, companies are required to be able to provide something valuable and can give a deep impression to consumers by upgrading the quality of the business or company.

Companies that are engaged in the F&B field which is included in the service industry ought to provide great services or performance to their customers, because it will create a positive impression which results in customer satisfaction and avoid customer from switching companies. With the service quality that has been provided, then customer satisfaction will indirectly be realized.

According to Kotler & Armstrong (2017), customer satisfaction is the comparison of the product or service's performance with buyer's expectations. If the actual performance received is far below from what the customer hoped for, the customer will be dissatisfied. However, if the actual performance received fulfills what the customer hoped for, then the customer will be satisfied. When the actual performance received surpasses the expectations, the customer will be highly satisfied.

Companies that are engaged in the service industry, especially in the F&B field, certainly have to focus on serving customers through a good service quality in order to obtain customer satisfaction. Service quality is one of the important keys to attract as many new potential customers as possible, retain existing customers, avert customers switching brands, etc. Moreover, companies that have good service quality can create comfort for customers therefore they feel more valued. Not only the service quality that is important, product quality is also an important factor as the companies are engaged in the F&B field. As for consumers, quality of product is the material consideration in determining satisfaction. Meaning that both the service and product quality possess an important role in determining customer satisfaction. Hence, service and product quality have a great connection with

customer satisfaction as they are the factors that can measure customer satisfaction in the F&B industry.

Service quality according to Kotler & Armstrong (2017) is a form of product that consists of actions, advantages, or contentment that is presented by marketers to consumers which are substantially untouchable and do not produce any proprietorship outcome. While product quality according to Kotler & Keller (2016) is the capability of a product in offering outcomes or outputs that matches or surpasses customer's expectations.

Fountain Café is one of the cafes that was established for more than thirty years and is still running in the industry with many branches in Medan. One of the branches is Fountain Café – Ramayana that is located in Jl. Sisingamangaraja Medan, on the first floor of Ramayana Teladan Medan. This cafe offers various types of food but mostly the foods offered are typical Indonesian foods, the prices offered by the cafe also vary depending on the foods. This cafe is famous for its desserts such as ice creams and waffles. It only has indoor tables, however it is quite spacious. The design, decorations, and facilities of this cafe is very well built and elegant with a touch of vintage interiors concept where there are many old photos that are hung on the wall and on the chairs. The walls are mostly covered with white colors and with the combination of wooden tables. While the floor consists of black and white tiles that enhance the decorations in the cafe.

Despite the elegant concept offered by the cafe itself, from the reviews writer found out that there were so many complaints regarding the customer satisfaction where most customers were unsatisfied with the cafe, and it is only

rated 4.1 on google review which is quite low for a well-known cafe with more than 10 branches in the city.

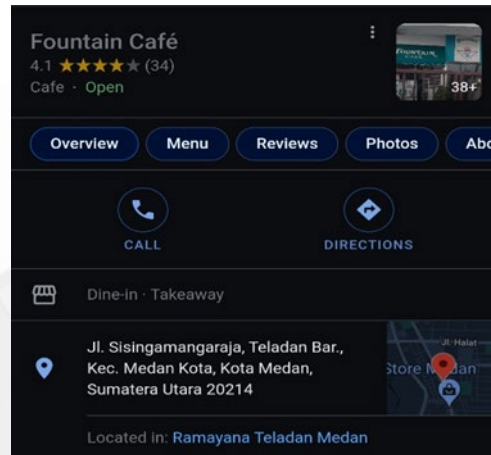


Figure 1. 1 Rating on Google Review

Source: <https://google.com> (2021)

From the google review and interviews with people around writer such as friends and family members, it is summarized that they mostly complained about the service and product (foods), which can be seen on the following table:

Table 1. 1 Visitors' Complaints based on Category

Complaint	Category	Amount
Service	Slow services	11
	Bad at responding to requests and problems	6
	Not friendly	7
	Impolite	4
Product	Freshness	5
	Hygiene	5
	Ripeness	3
	Lack of decorations	4
	Consistency	8

Source: Prepared by writer (2021)

Based on the table above, as most customers are dissatisfied with the service and product provided by Fountain Café – Ramayana S.M. Raja Branch, Medan, therefore writer will focus and discuss those two variables in this paper, which are the service quality and product quality. Customer dissatisfaction regarding the service and product quality will be described in more detail in the paragraphs below.

For the service quality itself, the staff are very slow in serving the menu and taking orders where it took around 30 minutes for the customers to be able to get the menu and make orders, this issue was experienced by one of writer's family members, Pratama (2021) where he was already sitting for a few minutes and no one approached him. He then asked for the staff to give him the menu and take his orders, however, the staff asked him to wait. He called for another staff again after waiting for another minute but he got the same response, and finally he was able to get the menu and make orders after calling and waiting for around 30 minutes.

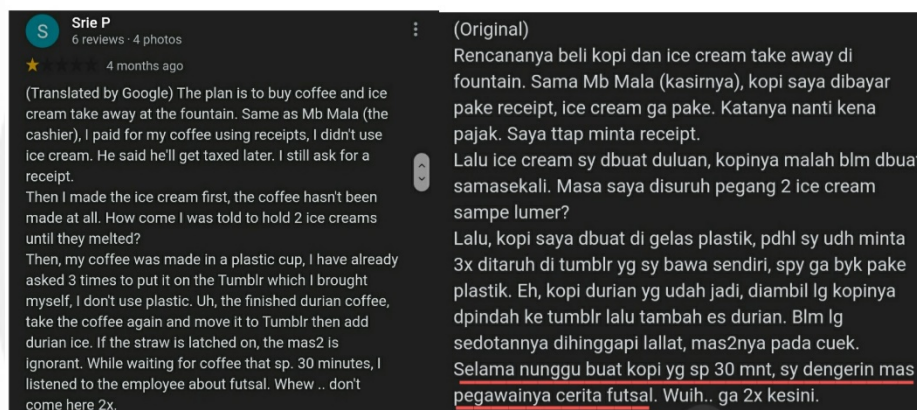


Figure 1. 2 Customer's Review of the Service

Source: <https://google.com> (2021)

A customer also complained on google review and said that she had requested to use her own cup for the coffee, however the staff did not pay attention as they were talking about football while making her coffee. As a result, they made a mistake and poured her coffee on the plastic cup. She also had to wait for 30 minutes for her coffee as the staff kept talking to another staff.

Another issue is very slow delivery where it took around 15 minutes for the staff to pick up the order from the kitchen to customer's table, and this was experienced by another family member of the writer, Pratama (2021) where he saw

his ice cream on the kitchen table and asked the staff to deliver it to his table, however he waited for around 15 minutes and finally got his ice cream but it was already half melted. According to him, he had experienced the same issue regarding the slow delivery for around three times when visiting the cafe. Staff are also bad at responding to requests where customers have to make requests for several times. This issue was experienced by writer's friends, Fortuna et al. (2021) where they had to call for at least 3 times for the staff to fulfill their requests such as asking for extra plate, cutlery, or straw.

Then, staff are also bad at responding to problems, where issues are resolved in a very unprofessional manner. A family member of writer, Tukino (2021) experienced that the staff kept insisting they were right and argued with the customer for a few minutes regarding the issue that the customer had. After agreeing to solve the issue, the staff's response was also very impolite where she harshly took the plate from the table while being upset and did not apologize.

Staff are also known to be not friendly while serving customers, where they do not smile and seem moody most of the time. This statement is supported by the experience of writer's friend, Gozali (2021) where every time she visits the cafe, she is always greeted with a grumpy face instead of a smile from the staff. They are

also very unresponsive when are asked about something, where they just answer it shortly and sometimes do not answer at all and just walk away.

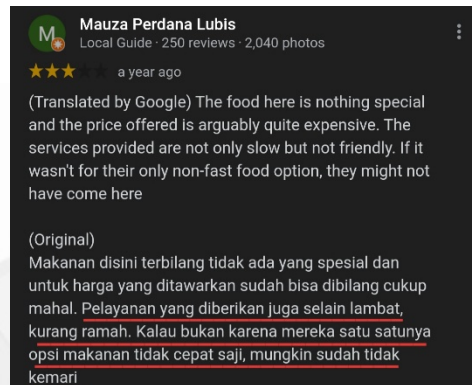


Figure 1. 3 Customer's Review of the Service

Source: <https://google.com> (2021)

There are also several similar comments made by customers on google review regarding the unfriendliness of the staff. Some even mentioned they would not visit again for the second time or if there were other options, they would definitely not choose this cafe.

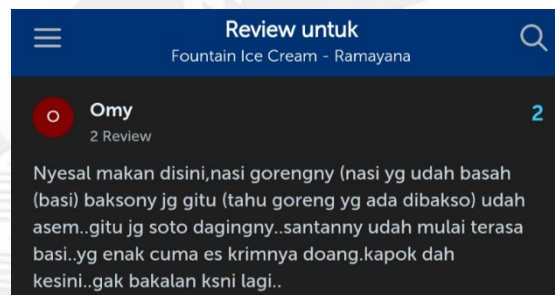


Figure 1. 4 Customer's Review of the Product

Source: <https://m.traveloka.com> (2021)

For the product quality itself, there are times where the foods are not fresh, where the food is already cold and it is already stale or the taste changes to sour or bitter. These were also experienced by writer's friends Hartono et al. (2021) and family members Pratama (2021), where they visited at different times, however, they had the similar experience regarding the quality of the foods, such as the

‘Avocado Platter’ dessert, the fishball from the ‘Bihun Kuah’, and the meatball from the ‘Mie Sop’ were already rotten.

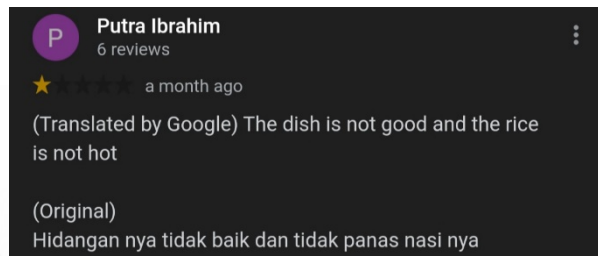


Figure 1. 5 Customer's Review of the Product

Source: <https://google.com> (2021)

A customer also complained on google review that the rice served was already cold which indicates that it had been taken out from the rice cooker a while in an open space. Moreover, there is an unhygienic issue, where the staff did not pay attention to the cleanliness of the food that caused customers to have a stomach ache. This was experienced by one of writer’s friends Huang (2021), that said she had a stomachache and diarrhea after finished eating at the cafe. There is also a comment on google review that said she was ordering for takeaway and saw the staff put her orders on the table full of flies and did not cover it while making other orders.

Besides that, there are times that the foods are not fully cooked which is still half raw and too bland, such as writer’s family member who experienced that the chicken was still half raw when he started to eat it. Some of writer’s friends, Chow et al. (2021) also had a similar experience where they complained that the food was not properly cooked as it was too bland and felt like there was no salt added and had no smell at all.

Moreover, some products' appearance are also lack of decorations and too plain according to writer's friends Hasnah et al. (2021) and family member Tukino (2021), where the appearance of the foods are too common and have no special characteristic, they are also lack of innovations where the appearance has always been like that for many years.

The products' taste are also often inconsistent where this statement is supported by several comments on google review and from writer's friends Wu et al. (2021) and family members Pratama (2021), as they could taste different when customers visit at different times as well, such as the taste of the food that sometimes can be too salty and sometimes not. This also happens to the beverages where sometimes they can be too sweet and sometimes not.

Based on the statements above, the company must pay attention to these issues by analyzing customer complaints. Recognizing the prominent role of customers and the influence of customer satisfaction on revenues, the company should analyze factors that can increase or decrease customer satisfaction. Therefore, cafes that are engaged in the service industry such as Fountain Café are required to keep improving factors that can increase the number of customers and customer satisfaction. Hence, it encourages writer to conduct a research with the proposed title **“The Influence of Service Quality and Product Quality on Customer Satisfaction at Fountain Café – Ramayana S.M. Raja Branch, Medan”**.

1.2 Problem Limitation

In this quantitative research, writer will only focus on two independent variables such as the service quality (X_1) and product quality (X_2) towards the dependent variable which is customer satisfaction (Y). The indicators to measure service quality will be limited to tangibles, reliability, responsiveness, assurance, and empathy. The indicators to measure product quality will be limited to performance, features, consistency, and design. While the indicators to measure customer satisfaction will be limited to conformity of expectations, interest to revisit, and willingness to recommend.

1.3 Problem Formulation

Based on the title that the author has chosen above, the research problems can be formulated as follows:

1. Does service quality partially influence customer satisfaction at Fountain Café – Ramayana S.M. Raja Branch, Medan?
2. Does product quality partially influence customer satisfaction at Fountain Café – Ramayana S.M. Raja Branch, Medan?
3. Do service quality and product quality simultaneously influence customer satisfaction at Fountain Café – Ramayana S.M. Raja Branch, Medan?

1.4 Objective of the Research

The research objectives of this quantitative research will be outlined below:

1. To find out whether or not service quality partially influences customer satisfaction at Fountain Café – Ramayana S.M. Raja Branch, Medan.
2. To find out whether or not product quality partially influences customer satisfaction at Fountain Café – Ramayana S.M. Raja Branch, Medan.
3. To find out whether or not service quality and product quality simultaneously influence customer satisfaction at Fountain Café – Ramayana S.M. Raja Branch, Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The theoretical benefits of this research are as follows:

1. For author to fulfill the requirements of the undergraduate final project as well as adding insight and knowledge regarding service and product quality towards customer satisfaction through the theories that have been obtained during the lecture period along with the benefits that can be used for everyday life.
2. Can be used as a reference by future researchers that need to do further research with the same topic and object for the final project.
3. Can be used as a general reading for people who are interested with the topic.

1.5.2 Practical Benefit

The practical benefits of this research are as follows:

1. As an evaluation and suggestion for Fountain Café – Ramayana S.M. Raja Branch, Medan in doing its business, so that it can continue to innovate and provide better services to consumers.
2. As a knowledge and insight regarding consumer behavior especially customer satisfaction in Medan, so the company knows how to improve the services it offers to consumers.
3. As an additional information regarding consumer behavior especially customer satisfaction in Medan for business owners in general.

