

CHAPTER I

INTRODUCTION

1.1. Background of The Study

Nowadays, business development in Indonesia is very fast and makes serious business competition. In Indonesia, one of the most developing business is the service business. As everybody knows, this kind of service business is growing year to year because the demand is very high.

The most important factor for gaining customer expectations in the highly competitive marketplace in the hospitality industry is service quality. Service quality can give the hospitality industry a great chance to create competitive differentiation for the organization. Service quality is also very important when defining a company's success and is create as a strategy for retaining customers.

Indonesia already gets so many tourists that come to Indonesia each year, this is why hotels must be the place where tourists will choose to stay. This is why hotels need to expand their service quality to make sure their consumers are comfortable and their customers satisfied with what they got from what they already spend to the hotel, so the customer may come again and become a loyal customer to the hotel. It is also supported by the data from Wonderful Indonesia (2019), which stated that the tourism industry will be the largest contributor to Indonesia's foreign exchange for the next five years.

According to Ullah, Raza, & Chander (2016), in the title of "Effect of Perceived Quality of Service on Customer Loyalty: A Case of Pearl Continental

Hotel Services” found that there is an important connection between perceived service quality and customer loyalty. It is concluded that a very important approach forms consumer knowledge of service and takes firm decisions on potential purchases in today’s competitive landscape and complex era of civilization service quality. Therefore, the reliability, assurance, empathy, responsiveness, and tangible dimensions of perceived quality should be focused on to strategize the hotel industry’s quality of services, to promote customer maintenance and sustained satisfaction.

The writer has chosen Kalang Ulu Hotel as the research object in this research. Kalang Ulu is one of the hotels opened by local residents. Kalang Ulu itself has Balinese nuances. Kalang Ulu itself comes from the Karo language which means pillow. The reason that the writer chooses Kalang Ulu as an issue of discussion is that the writer visited Kalang Ulu itself, and the writer is interested in the standard of service offered by the hotel to its guests, and how satisfied the guest is so that the guest will become loyal to the hotel when visiting Berastagi again.

Customer Name	Date of Stay	Source	Comments / Problems	Star Rating 1-5
Hally L	September 2019	Trip Advisor	The hotel have beautiful garden and concept, but after you enter the room, the bathroom smell cover all the room, the hot water really almost like cold water, the chair is dusty I think with better management, this hotel can be one of the best in Berastagi.	3 stars
Jerome D	October 2019	Trip Advisor	Our agent had booked that hotel in advance. The entrance looks very nice. Not very welcoming staff though, could not find our reservation. We then had to change allocated rooms as they were right	1 star

			opposite a noisy construction. Ultimately we decided not to stay as the rooms were dirty, without window, no towels, and really disturbing ammonia chemical in the air... staff seems to be demotivated and clueless. Not sure what's going on at the moment...	
Travelholic116	September 2018	Trip Advisor	This hotel is beautiful but unfortunately we did not get to sleep peacefully. First was the people chit chatting and laughing loud in the midnight until 3am, 2 nd was the kids running around and screaming early in the 6.30am. The room sound insulation is poor. Nevertheless, the room is clean, staffs are friendly and I like the lobby design, very beautiful.	3 stars

Figure 1.1 Kalang Ulu Hotel Review at Trip Advisor

Source: Trip Advisor, 2021

Based on the data, it can be seen that there are several reviews regarding the facilities and services provided by the hotel to the customers that are not satisfied, where the past customers mostly do not have the intention to revisit Kalang Ulu caused by some factors of the service quality. The problem that occurs is related to the indicator of service quality such as: tangibility (the chair is dusty; the room is dirty; and the hot water is not working), empathy (there is a smell in the bathromm; and there is an amonia chemical smell), responsiveness (the staff is not welcoming), reliability (the employees cannot find the customer room reservation), and assurance (the room sound isulation is not working; there is a noisy construction around the hotel) this is all based on the customer reviews.

Therefore, because of the issue found in this hotel, the writer is interested in conducting research under the title: **“The Influence of Service Quality towards Customer Loyalty at Kalang Ulu Hotel Berastagi, North Sumatra”**.

1.2. Problem Limitation

Kalang Ulu got 2 kind of services at the hotel and café. Due to the limitation of time, opportunity, and experience, the writer will focus on doing research of the hotel room facilities on the service quality towards their customer loyalty with limitation of time research takes 6 months, which will be appointed that X as the independent variable for the service quality and Y as the dependent variable for customer loyalty.

1.3. Problem Formulation

The problem formulation in this research is:

1. How is the service quality at Kalang Ulu Hotel?
2. How is the customer loyalty at Kalang Ulu Hotel?
3. Does the service quality influence customer loyalty at Kalang Ulu Hotel?

1.4. Objective of the Research

1. To explain about the service quality at Kalang Ulu Hotel
2. To explain about the customer loyalty at Kalang Ulu Hotel
3. To analyze whether service quality has influence customer loyalty at Kalang Ulu Hotel

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

This research aims to develop what information already exists and to link existing information with current developments that have to develop very quickly.

1.5.2. Practical Benefit

1. For the Writer

This research will give benefit for the writer in term of knowledge, in which will help the writer to identify whether the service quality has influence on customer loyalty.

2. For the Company

This research will give benefit for the company to find out how is service quality could influence customer loyalty and how the company to attract more customers.

3. For the Researchers

The research could be used for another researcher as a reference to do the further research related to the service quality and customer loyalty.