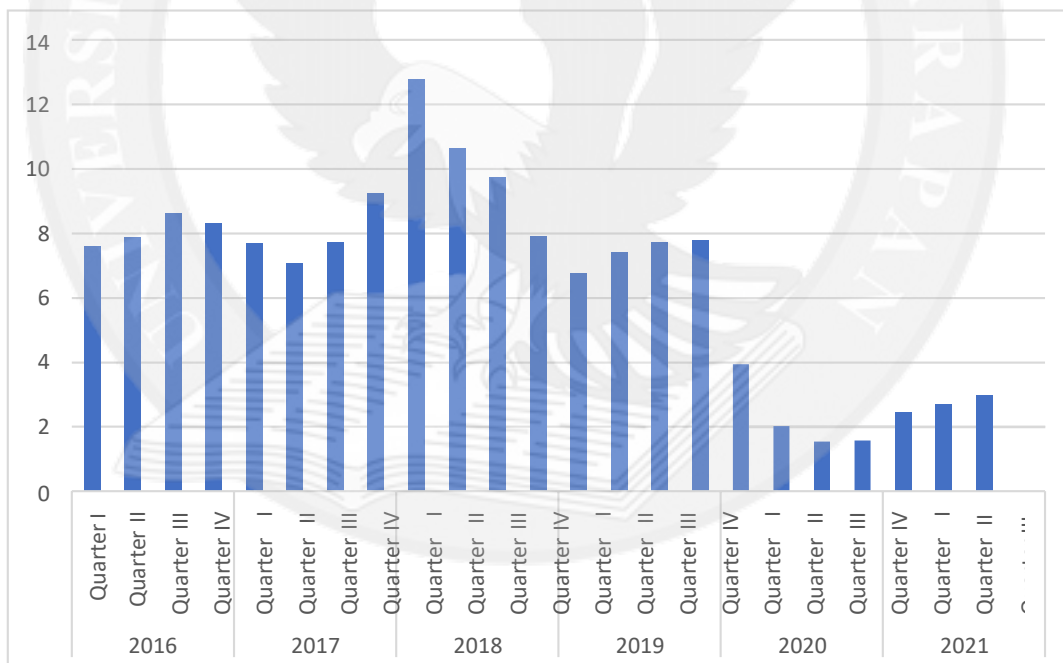


# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Food and beverage play a vital part in life since birth. Food and beverage are made through several processes before it will be consumed. Even so, not everyone has the time and talent to make food and beverage. In addition, globalization that continues to occur causes changing consumer behavior where they want something fast or instant. According to Juliana et al., (2021) nowadays consumers are developing to live more practical, simple and want everything to be faster which has resulted in various restaurants experiencing very fast development.

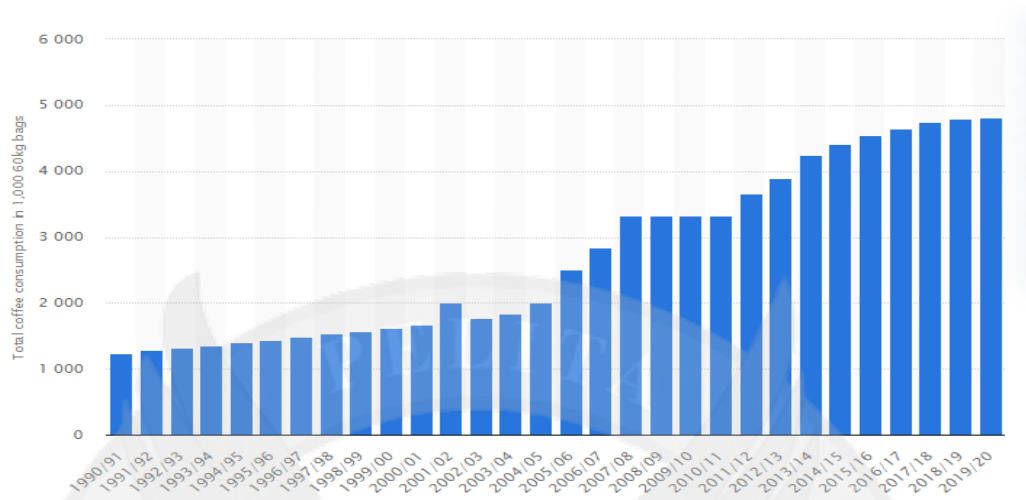


**Figure 1. 1 GDP Growth Rate in the Food and Beverage Industry in Percentage**

Source: Prepared by the Writer (BPS, 2021)

Referring to figure 1.1, GDP growth data in the food and beverage industry quoted from the *Badan Pusat Statistik (BPS) Indonesia*, the highest growth rate from the 6-year data occurred in 2018 in the first quarter where it touched up to 12.77% while the lowest growth rate occurred in 2020 in the first quarter III with a growth of 1.55%. The graph above shows that GDP growth in the food and beverage industry from 2016 to 2021 tends to increase every quarter. The decline in food and beverage growth occurred in 2018 and 2020. The decline in growth in the food and beverage industry was caused by the growth of the food industry export which has declined at that time. The decline of food industry growth at 2018 reached 7.74% compared to 2017 which reached 9.79% (*Kementerian Perindustrian Republik Indonesia, 2019*). Meanwhile, in 2020, the decline in the food and beverage industry growth only 1.55% compared to the 2019 quarterly data which reached 7.72% (*Kementerian Perindustrian Republik Indonesia, 2020*).

The figure above proves that the food and beverage industry have great potential for success. 2 examples of the food and beverage industry are café and restaurant. According to *Global Business Guide Indonesia (2017)*, food franchise and restaurant in Indonesia has grown consistently since 2014 where 11% of the total population will choose to go out to eat. This habit is one of the major roles that affect Indonesia's GDP in the food and beverage industry.



**Figure 1. 2 Coffee Consumption in Indonesia 1990-2020 Period**

Source: Statista (2021)

Based on graph above, it shows that Indonesia steadily continues to experience an increase in coffee consumption from year to year. This shows that public interest and popularity for coffee in Indonesia is increasing. Through this data, it can be seen that the increasing consumption and popularity of coffee is one of the reasons for the increasing number of café and restaurant focus on coffee. Increase in consumption and modern lifestyle are used as an opportunity by business actors to open café in Indonesia where each outlet tries to create its own uniqueness. Customers are the key to success or the core of running a business. Sellers must be responsive in adapting to the era of globalization that led to modernization where this makes people bored quickly. Therefore, sellers must be able to understand the needs and desires of consumers, especially in service to establish long-term relationships and the continuation of their business (Fahleti, 2018).

Customer satisfaction is one of the goals desired by every actor in the food and beverage industry. This is because no matter how seller provides food and beverages, if they do not satisfy the customer, then they will not be interested in returning. Often customers who are satisfied with the services and products of the restaurant will return or do word of mouth which is one of the effective promotions and does not cost money and is a medium for giving direct reviews to other people.

In the restaurant industry, consumers not only pay attention to the quality of the products served but also the services provided. Good service or exceeding customer expectations will provide a plus point for the restaurant and play a very large role in assessing customer satisfaction. According to Sakti et al., (2021) good service can reflect the company's vision, mission and commitment to consumers. Furthermore, the services provided must be as much as possible to exceed consumer expectations so that they do not feel disadvantaged and will be loyal to the restaurant.

According to Cahya et al., (2020) by satisfying consumers, an advantage will be created in competition among competitors so that the goal of the restaurant is to create customer satisfaction from the services and products offered. One of the factors that affect customer satisfaction is servicescape. With intense competition in this industry, of course there are similarities between sellers with one another both in terms of services and products offered. To differentiate between one another, the seller starts to offer a customer experience to maximize satisfaction through a servicescape which includes ambience, interior design,

exterior design and other physical things that support service quality (Arora, 2019).

Servicescape itself exists to support the services provided by café and restaurant to customers. Services in the form of a servicescape can be said to be inanimate and immutable, while employee service is something that changes because providing service requires great hospitality and patience. Awa et al., (2017) argues that service providers are factors that affect service quality in meeting customer needs. If the service provided is in accordance with or above customer expectations, it can be said that the service is good or ideal. Meanwhile, if the service provided does not meet customer expectations, it can be said to have failed in providing service

Lim Kok Tong - Amir Hamzah branch, Medan is one of the branches of the Lim Kok Tong café and restaurant in which this brand had been established since 1925 in the city of Pematang Siantar. Initially, Lim Kok Tong was a coffee shop that focused on coffee production. Since 1978 it has experienced rapid development and as a result of its rapid development has transformed Lim Kok Tong which used to be a coffee shop to become a café and restaurant. Even though it has been turned into a café and restaurant, Lim Kok tong still prioritizes the authenticity and quality of the coffee served.

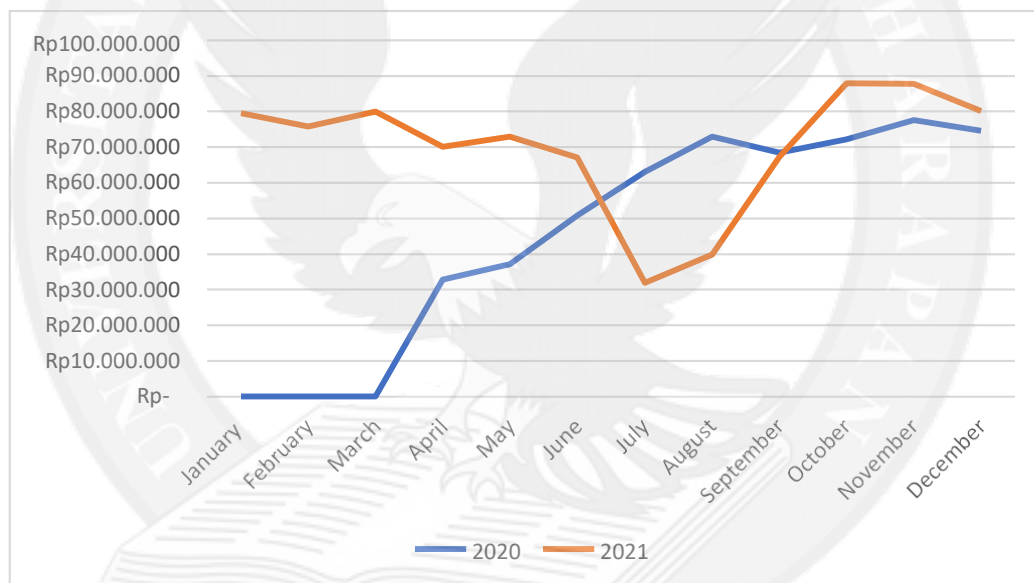
In addition to focusing on selling food and beverages in restaurants, Lim Kok Tong has also succeeded in producing its products in the form of sachets and has been sold in restaurants and supermarkets. This of course makes it easier for people to consume Lim Kok Tong products without having to go to the restaurant

directly. Even so, the authenticity provided will be more pronounced when served directly by the expert or barista Lim Kok Tong.

**Table 1. 1 Total Sales of Lim Kok Tong - Amir Hamzah Branch, Medan**

Month	2020	2021
January	-	Rp 79.486.076
February	-	Rp 75.762.905
March	-	Rp 79.976.868
April	Rp 32.822.919	Rp 70.184.043
May	Rp 37.119.674	Rp 72.997.287
June	Rp 50.862.567	Rp 67.159.115
July	Rp 63.018.559	Rp 31.995.132
August	Rp 72.939.086	Rp 39.924.233
September	Rp 68.408.736	Rp 67.340.858
October	Rp 72.269.403	Rp 87.913.946
November	Rp 77.605.501	Rp 87.797.931
December	Rp 74.606.618	Rp 80.218.220

Source: Prepared by the Writer (Lim Kok Tong – Amir Hamzah Branch, Medan, 2022)



**Figure 1. 3 Chart comparison of Total Sales for 2020 and 2021**

Source: Prepared by the Writer (Lim Kok Tong – Amir Hamzah Branch, Medan, 2022)

From the graph, the blue line represents 2020 sales which started from April and orange line represents 2021 sales. Data collection taken from April 2020 because the Lim Kok Tong Amir Hamzah branch, Medan was opened in mid-March 2020. In this research, the writer wanted to use data for 1 month so

that it was taken from April data. From the graph above, it can be seen that compared to 2020, 2021 saw a decline in sales from July to September.

The table and figure above are the data from the total sales of Lim Kok Tong, Amir Hamzah Medan branch for 21 months from 2020-2021. From this data, it is known that in October 2021 and November 2021, restaurants got the highest sales while in April 2020 and July 2021, restaurants got the lowest sales since opening in 2020. The decline that occurred in July 2021 was more than half of last month's sales. Judging from the data above, the increase at the end of 2021 will also occur in 2020. In general, it can be concluded that the end of the year is the most profitable business for Lim Kok Tong Amir Hamzah. However, there was a decline in year-end sales in 2020 and 2021. In fact, the end of the year is the most profitable month because there are Christmas and New Year holidays where people will have more free time compared to other months.

**Table 1. 2 Servicescape and Service Quality Negative Review**

<b>Date</b>	<b>Comments</b>
Dec-21	Sometimes too crowded and noisy
Dec-21	Have to wait 45 minutes for the green chili chicken rice
May-21	Not enough parking space
Feb-21	motorbike parking needs to be tidied up again
Nov-21	Level up the service, please!
Mar-21	After 1 year and finally the food comes out

Source: Google Review (2022)

To find the cause of decreasing sales, Google reviews are relied on to see the factors that influence the decline. There are a total of 27 negative comments out of 233 reviews. Of the 27 negative reviews, 6 of them relate to servicescape and service quality. As for the other negative reviews given by customers related to the taste of the food and there is no clarity about the reviews. The data above

shows that each servicescape and service quality variable has 3 negative reviews. This shows that servicescape and service quality have contributed to the decline in customer satisfaction.

Based on the writer's observation, servicescape that given by Lim Kok Tong Amir Hamzah has its advantages and disadvantages. The servicescape at Lim Kok Tong Amir Hamzah branch, Medan can be evaluated by its:

a. Ambience Conditions

Ambience provided by the restaurant is supported with music, air conditioning, interior and exterior designs including room lighting that allows customers to comfortably enjoy dishes at the restaurant. However, the sound volume of the music is not high enough and the air conditioner is not used optimally in which some air conditioner is not turned on.

b. Spatial Layout and Functionality

The placement of tables, chairs, doors, bars and others has been arranged in such a way and makes it easy for both customers and waiters to move. In addition, the placement of goods has been arranged in such a way for the convenience of the customer. However, the toilets provided to customers are not good because of poor design and positioned at very remote location.

c. Sign, Symbol and Artifacts

In the restaurants, signs and symbols such as toilets, special employee rooms, open/close and signs that need to be known by customers have been written well. One of the things that caught the writer's attention was the availability of a waiter calling facility placed in a tissue box available at each table. This



allows customers to easily interact with employees. Besides that, the drawback of this restaurant is that there is some empty space on some parts of the walls that are not used effectively.

The writer also observed the quality of service in Lim Kok Tong Amir Hamzah branch, Medan. Below is the conclusion of service quality's evaluation used in this research, namely

a. Tangibility

The writer finds that the tangibility element in this restaurant is good. This can be seen from the appearance of employees who are quite neat and in uniform. In addition, there are facilities that make customers comfortable such as air conditioning, waiter calling devices, interior and exterior designs. The thing that makes the writer uncomfortable is the large number of waiters at the door waiting for customers to enter.

b. Reliability

On this element, the writer concludes that the reliability of the restaurant is good because both the food and drinks served do not take long to be served. In addition, the special requests requested were in accordance with the wishes of the writer.

c. Responsiveness

On the responsiveness element, the writer concludes that the response given by the waiter is not optimal. When the writer arrived until order the menu, the waiter had a pretty good response. However, when the writer tried to use the

waiter calling tool provided at the table twice, the writer did not get any response. In the end, the writer verbally called the waiter.

d. Assurance

In this element, the writer finds that the assurance in the restaurant is good. This is because the waiter can answer the writer's questions about the products that are on the menu and products are same as the description. Furthermore, the recommendations and descriptions given by the waiter are in accordance with the products served.

e. Empathy

Empathy at the Lim Kok Tong Amir Hamzah branch restaurant, Medan is quite good. This can be seen from the waiter's desire to recommend products that are of interest to customers and provide recommendations for products that may be of interest to the writer.

The writer concludes that servicescapes and service quality in Lim Kok Tong Amir Hamzah branch, Medan has some lacking that need to be improved. Even so, errors or omissions that occur are still within the tolerance limit of the writer. 3 out of 5 is an assessment given by the writer regarding the writer's satisfaction with the servicescape and service quality of the Lim Kok Tong Amir Hamzah branch, Medan. As this is based on writer's observation, then it cannot be said to be a general assessment. Therefore, to prove the importance of servicescape and service quality at the Lim Kok Tong Amir Hamzah branch restaurant, Medan, it is necessary to conduct further studies on this restaurant.

Based on the background of the study, the writer is interested to conduct research with the title **“The Effect of Servicescape and Service Quality on Customer Satisfaction at Lim Kok Tong - Amir Hamzah Branch, Medan”**

## **1.2 Problem Limitation**

Based on background above, the writer sets some limitation for this research as follows:

- a. This research is aimed to determine the effect of servicescape and service quality as the independent variable on customer satisfaction as the dependent variable in Lim Kok Tong Amir Hamzah branch Medan.
- b. The indicators used for servicescape in this research are taken from Lovelock and Wirtz (2011) as cited in Marie (2019) namely: ambience conditions, spatial layout and functionality, sign, symbols and artifacts.
- c. The indicators used for service quality in this research are taken from Sodexo (2019) as follows: tangibility, reliability, responsiveness, assurance, and empathy.
- d. The indicators used for customer satisfaction in this research are taken from Tjiptono (2009) as cited in Indrasari (2019) namely Suitability of expectation, re-visiting intention, willingness to recommend.
- e. The survey is taken from customers who have ever visited to Lim Kok Tong - Amir Hamzah branch, Medan.

### **1.3 Problem Formulation**

Based on the background and problem limitation above, the writer formulates the following research questions:

- a. Does servicescape partially affect customer satisfaction at Lim Kok Tong - Amir Hamzah branch Medan?
- b. Does service quality partially affect customer satisfaction at Lim Kok Tong - Amir Hamzah branch Medan?
- c. Do servicescape and service quality simultaneously affect customer satisfaction at Lim Kok Tong - Amir Hamzah branch Medan?

### **1.4 Objective of the Research**

The objectives of this research are:

- a. To describe whether servicescape partially affects customer satisfaction at Lim Kok Tong - Amir Hamzah branch, Medan.
- b. To assess whether service quality partially affects customer satisfaction at Lim Kok Tong - Amir Hamzah branch, Medan.
- c. To investigate whether servicescape and service quality simultaneously affects customer satisfaction at Lim Kok Tong - Amir Hamzah branch, Medan.

### **1.5 Benefit of the Research**

In this research, there will be 2 types of benefit as follows:

### **1.5.1 Theoretical Benefit**

This research is one of the empirical evidences in knowing the effect of servicescape and service quality on Lim Kok Tong Amir Hamzah branch Medan guest satisfaction which will then affect the level of loyalty. This research can also be one of the sources in learning and understanding the importance of servicescape and service quality on hospitality industry that will contribute to the existing relevant theories.

### **1.5.2 Practical Benefit**

The practical benefit that will be earned in this research are as follow

a. For the Writer

To analyze if the servicescape and service quality have been optimally provided to customers at the Lim Kok Tong - Amir Hamzah branch, Medan. This research aims to provide useful information to readers and assist them in providing in-depth knowledge about servicescape and service quality.

b. For Lim Kok Tong – Amir Hamzah branch, Medan

To give more precise results to Lim Kok Tong so that he knows how the current servicescape and service quality are performing. Furthermore, to find out what Lim Kok Tong can do to improve or resolve problems in the servicescape and service quality so as to optimize customer satisfaction.

c. For Other Researchers

The results of this research are expected to help other researchers as a reference for obtaining information, especially in the field of hospitality management.

