

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

Nowadays, the hospitality industry is one of the largest businesses worldwide. This can be seen from the number of businesses that have emerged in the hospitality sector such as restaurants, bars, cafes, hotels, and other businesses that come in unexpected numbers. The progress of the hospitality industry has resulted in related businesses experiencing very rapid development. Without realizing it, advances in the hotel industry are able to change the way business people meet customer needs. This becomes an important source to earn a large income if customers use the products and services that have been provided. With all these things, many business people are competing to find opportunities to be able to meet customer needs and desires because people's lifestyles change all the time so business people are able to adjust.

Over time, many businesses have emerged and developed so that it also supports the intense competition between businesses. One way to face competition is that businesses must be able to attract many customers to make it easier for businesses to reach many customers to use the product or service provided by a business. Business people face great challenges in understanding customer needs and want. At this time, customers are much more critical and careful in determining the product or service used. Therefore, business people are able to maintain product

or service quality by providing various options that will be chosen by customers. If everything is done well, then the business people get a big income.

Indonesia is a developing country and so the opportunity to start a business is also great. Businesses engaged in the food and beverage sector have great potential to advance business. Indonesia's natural wealth is diverse and very useful for industrial progress or the food and beverage business. One of the largest cities in Indonesia is Medan, which also includes a city that has a lot of culinary delights and is experiencing rapid progress and development in terms of the number of food and beverage businesses that appear from time to time. The diversity of food and beverages that characterize the city of Medan is able to attract tourists both from within the city, outside the city, and even abroad. By seeing a situation like this, business people do not hesitate to be able to contribute to creating interesting things and trying to become the leading food and beverage business. With the large number of food and beverage businesses, various choices of products and services appear for customers. Continuous competition requires business actors to be able to dominate and think of ways to become the customer's first choice.

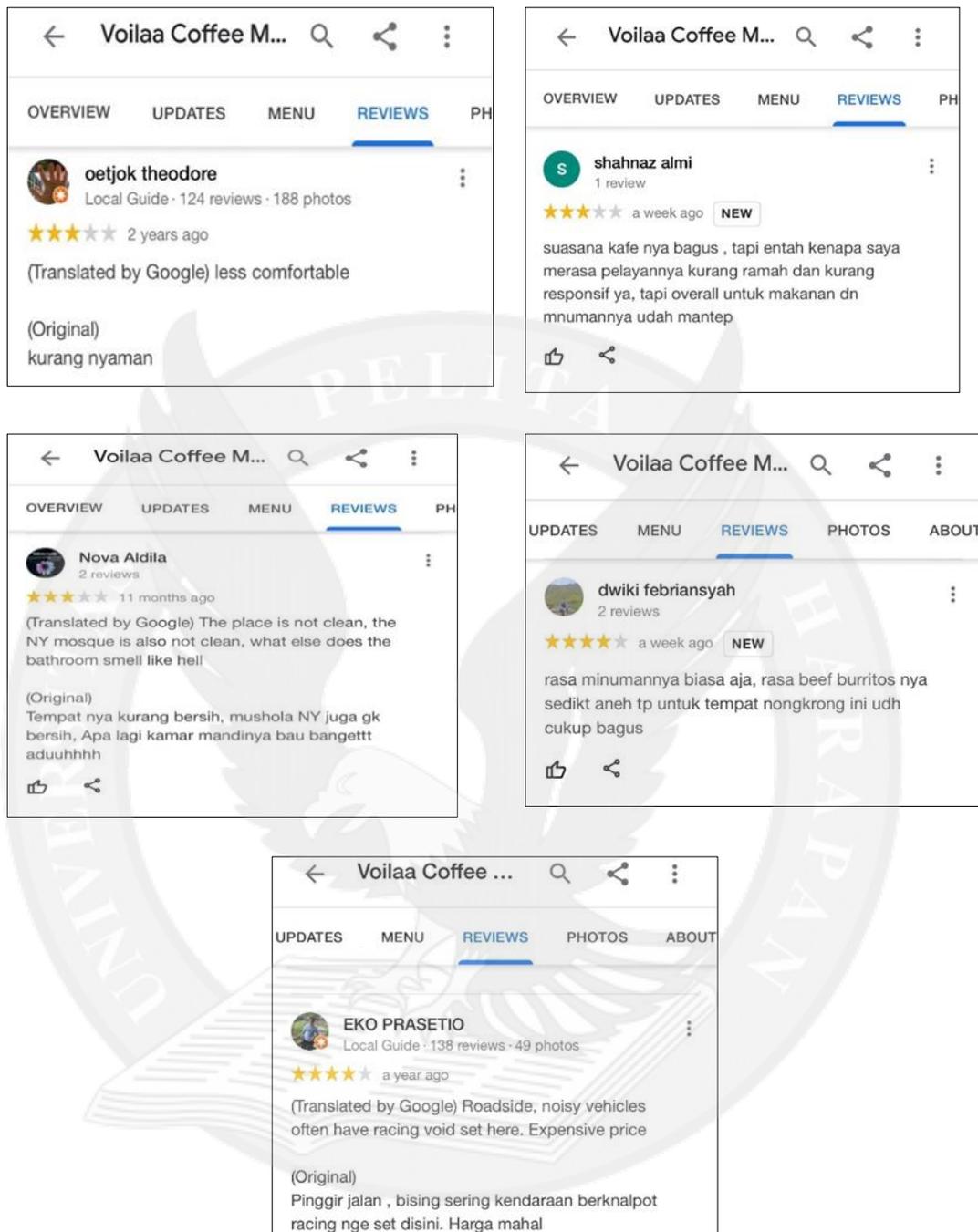
The food and beverage business that is very popular with the public at this time is one of the cafes. The cafe can be reached by all people, whether family, friends, teenagers, adults, and even elders. The very rapid development of cafes is also followed or supported by changes in people's lifestyles. Therefore, cafe entrepreneurs must know what concepts or things are currently trending. This is done so that cafe entrepreneurs can adjust the products and services provided to the needs and desires of customers. The provision of an attractive cafe concept also

supports the interest of customers to visit. To be able to compete with other cafe businesses, cafes must prioritize product quality and service quality. This is done because, if the customer is dine-in, the first thing to assess is the product quality and service quality provided by the cafe. If a cafe is able to meet customer expectations and customers are satisfied because of product quality and service quality, it will get a good first impression from customers.

Service quality is an action taken by service providers in order to provide the best service to customers. If the service received by customers is in accordance with their expectations, then the quality of service is considered good and able to satisfy. If the customer is satisfied, it will encourage customers to make repeat purchases and become loyal customers. While product quality is a consumer assessment of the uniqueness or superiority of a product used by consumers. Product quality is a consumer's assessment of the uniqueness and change of products for many customers. Product quality found that if the customer is successful in evaluating a product, the concept of quality that can be felt is in the form of intrinsic attributes and extrinsic attributes. The cafe business must be able to obtain customer satisfaction if the customer's expectations for products and services are in accordance with what has been provided by the cafe. Creating the best product quality and service quality, can satisfy customers. If the customer is satisfied, the customer will likely build a relationship with the cafe so that sales and relationships can increase. Conversely, if there is poor product quality and service quality, the customer feels disappointed and the cafe does not get customer satisfaction.

Customer satisfaction is a guide for the progress of a business. The most valuable asset in a business that affects the progress of the business is customer satisfaction. Customer satisfaction is a feeling of pleasure or disappointment that arises after making a comparison between expectations and the reality (results) of a product with its expectations. If customers are satisfied, they will likely commit to purchasing products and services repeatedly at the same cafe. Customer satisfaction can be generated from the experiences that have been felt by customers who enjoy a product or service of the cafe. The level of customer satisfaction indicates whether they feel happy or disappointed with the cafe. If they feel happy then they will spend more time and spend their money repeatedly to visit the cafe. If they feel disappointed, then they do not want to visit the cafe again.

One of the cafes in Medan is Voilaa Coffee Medan. To find out what products and services are like at Voilaa Coffee, researchers observe how customer satisfaction is with product quality and service quality by observing customers' google reviews. There are bad reviews about product quality and service quality from customers' google review. In addition, some customers give good reviews but are accompanied by bad reviews. The following are customer reviews from Voilaa Coffee visitors that have been collected by researcher:



**Figure 1. 1. Customers Google Review of Voilaa Coffee**

by the Writer (2021)

From the data above, we can see that Voilaa Coffee Medan is still not good in terms of service and product quality. As stated in the review above, customers are dissatisfied with the products and services provided by Voilaa Coffee Medan

that are not in line with customer expectations. In product quality, several factors can help the researcher to measure how good product quality is based on performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. As we can see, in the review of Voilaa Coffee Medan that the product quality that is lacking is the taste of ordinary drinks and the taste of food that is felt by customers is a little strange. In terms of service quality, several factors can help researchers to measure service quality at Voila Coffee Medan, namely tangible, reliability, responsiveness, assurance, and empathy. In terms of service quality problems faced by Voilaa Coffee Medan are unfriendly, unresponsive service, noisy cafe atmosphere, and lack of cleanliness at Voilaa Coffee Medan. As for customer satisfaction, the researcher wants to know and see whether product quality and service quality can affect customer satisfaction at Voilaa Coffee Medan as stated in the review that product quality and service quality can affect customer satisfaction and customer interest at Voilaa Coffee Medan.

Due to the problems above regarding how product quality and service quality are, the researcher is interested about the title” **The Influence of Product Quality and Service Quality toward Customer Satisfaction at Voilaa Coffee Medan**”

## **1.2 Problem Limitation**

Based on previous facts, this research is limited by product quality and service quality on customer satisfaction at Voilaa Coffee Medan. The author provides problem boundaries that focus on product quality, service quality, and customer satisfaction, so that researchers are not too expansive in exploring

research. The author realizes that product quality is based on several aspects, including performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. Service quality can be assessed from the following variables, namely, tangible, reliability, responsiveness, assurance, and empathy. Customer satisfaction can be influenced by visiting the cafe, enjoying the cafe, and being satisfied with the cafe.

### **1.3 Problem Formulation**

Based on the research background that has been stated above, the problem formulation would be described as follow:

- a. Does product quality partially influence customer satisfaction at Voilaa Coffee Medan?
- b. Does service quality partially influence customer satisfaction at Voilaa Coffee Medan?
- c. Do product quality and service quality simultaneously influence customer satisfaction at Voilaa Coffee Medan?

### **1.4 Objective of the research**

The objectives of this research are as follows:

- a. To describe whether product quality partially influences customer satisfaction at Voilaa Coffee Medan.
- b. To identify whether service quality partially influences customer satisfaction at Voilaa Coffee Medan.

- c. To discover whether product quality and service quality simultaneously influence customer satisfaction at Voilaa Coffee Medan.

## **1.5 Benefit of the Research**

### **1.5.1 Theoretical Benefit**

This provides a better understanding and additional knowledge for the researcher of the research being studied. In addition, this research can be useful as information for companies to consider what improvements the company needs to do to maintain company performance.

### **1.5.2 Practical Benefit**

1. For Voilaa Coffee Medan, this can be used as material and any useful input for company management.
2. For other researchers, it can be used as a reference for future analyzes that apply the same research to the chosen field.