

CHAPTER I

INTRODUCTION

1.1 Background of the study

The decline in income or the economy in the midst of a very confusing pandemic condition has an impact on all companies and industrial sectors. Not only in the corporate industry but also in the hospitality industry, there are no customers or tourists visiting because customers are afraid of Covid-19. Moreover, with the pandemic situation, everyone must comply with the protocols that have been given such as wearing a mask at all times, not traveling to crowded places, and having to keep a distance, and most importantly always washing our hands.

The hospitality industry is a field that deals with the provision of services to guests. The word hospitality can be interpreted as friendliness where when we meet guests, we must be polite and friendly in attitude and talking. The hospitality industry consists of lodging, hotels, restaurants (food and beverage industry), and tourism. Covid-19 is very affected to hospitality industry where there are no visitors and guests come. Of various kinds of hospitality industry, business restaurants and hotels are the most impactful. As we can see there are so many restaurants that are temporarily closed. Also because of the pandemic, most people just prefer to stay at home rather than do staycation at a hotel as avoiding crowded places. However, it is just a temporary condition. Now, people are almost used to the presence of Covid-19. In this one year, people have dared to go out and do things as they usually do such as work, eat in restaurants and travel with still implementing the protocols that have been made. Because many people have started to dare to go outside and do their jobs as usual, it can be seen that some businesses or companies have started to grow again, especially in the food and beverages industry.

Currently, Binjai City is a dream city where there are so many culinary places. Binjai City is part of North Sumatra Province of Indonesia which is bordered by Deli Serdang Regency to the east and Langkat Regency to the west. Also, Binjai City is connected to Medan (the provincial capital), so it could make it easier for visitors or customers to come and go. Especially now that it has a toll road where the time and distance from Medan to Binjai is getting closer and faster than passing through the ordinary road. In addition, Binjai City can be said to have big population and is the most populous city. Talking about pandemic Covid-19, it affects the growth economy in Binjai City. Regarding this problem, so many business sectors have slumped and declined due to the influence of the pandemic Covid-19, especially in Food and Beverages sector. But in Binjai City, the effect of the pandemic towards Food and beverage sector is only temporary. In a few months, Food and Beverages sector suddenly grow rapidly. So it can be seen that the influence of pandemic towards food and beverages is only temporary. In addition, the growth of Food and Beverages sector in Binjai can be seen in the increasing number of new restaurants business and the increase in customers demand.

As it was known, the best business opportunities in this pandemic condition are Food and Beverages sector where every people need to fulfill the human being every day. It can be seen that so many new restaurants and cafes are opened, it could cause the number of competitors to keep increasing. However, in the business world, there must be a rival where our restaurant competes with other restaurants. Therefore, we should maintain our customers by providing the best service quality and keeping them feel safe and comfortable (physical environment), so if the customers feel satisfied then the customers will tend to select our restaurants. In fact, the key to success in restaurant business is the strategies. Restaurants can be successful as they make the strategies to compete with the other competitors. Also, customer satisfaction is the important key to making the restaurant business to be successful where if the customers are satisfied with the service quality, food quality, and the physical environment provided by the restaurant, then customers will often come and visit the restaurant. However,

those strategies are not easy as we see. In order to win the business competition, the restaurant must show the best products and services to obtain the customer satisfaction. Otherwise, if the restaurant fails to satisfy the customers, it will be hard for the restaurant to survive in business competition.

In highly competitive market, restaurant have to provide the best service quality and good physical environment to make customers satisfied with the restaurant. However, customer satisfaction is the most important key that can increase the restaurant's profit through customer recommendation or wordof mouth to family and friends, also customer loyalty in purchasing the restaurant's product. Therefore, restaurant have to increase the service quality and have good environment such as in service quality, restaurants should give the best service like greeting, good impression and smiling with all of the customers, then in physical environment, restaurants should give the best facilities, an interesting decoration, lighting, table setting, and seating comfort.

Service quality and physical environment are two significant factors in maintaining customer satisfaction. With an excellent service quality and good physical environment, it will lead to customer satisfaction. In addition, in every business competition, every owners or manager of a restaurant must have a business strategy in order to develop and maintain their business for the a long term time.

Ropang DKK as the research object is one of the famous culinary places in Binjai. So, in this research the author will choose this Ropang DKK Binjai as an object of this study. In addition, the author has taken several pictures related to the service quality and physical environment at Ropang DKK Binjai which can be seen below :

Figure 1.1 Ropang DKK



Source: Ropang DKK's Instagram

As it is known that Ropang DKK Binjai has been established for 4 years, the business certainly has experienced several problems where the number of competitors keeps increasing. Nowadays, there are so many competitors which sell the same products so if the customers do not feel satisfied in this restaurant then they might leave and choose the other restaurants. Based on the research, here is the data number of customer complaints in Ropang DKK Binjai.

Year	Number of Complaints
2019	49
2020	40
2021	33

Table 1.1 Number of customers complaints at Ropang DKK Binjai

Source: Data Processed by the Writer (2022)

Based on the data above, we can see the number of customer complaints at Ropang DKK Binjai from 2019 until 2021. So in 2019, it could be seen that the number of complaints is 49 customers. And in 2020, compared with the year 2019, we can see that the number of complaints is decreasing. Then, in the next year 2021, the number of complaints also decrease become 33 customers. As it is known that from the year 2020 until 2021, it is pandemic timeso there is only some customer who visited the restaurant.

In order to compete with the competitors, Ropang DKK needs to identify the customers' reviews and find out whether the customers are satisfied or not. So far, there are so many complaints and reviews about the service quality and physical environment regarding customer satisfaction in Ropang DKK Binjai. Here, the author found several complaints reviews by customers in Ropang DKK Binjai from google review can be seen below:

No.	Reviews	Area of Problem
1.	“Unfriendly, arrogant waitress.”	Service Quality
2.	“The place is decent, the food is also decent for an affordable price, the distance between the table is too close so sometimes those sitting on the back can be bumped if they back down.”	Physical Environment
3.	“The waiter is slow. The order has not been made after waiting for 15 minutes.”	Service Quality

	Most are joking. Please improve the service.”	
4.	Don't be too pretentious when you become a cashier, if people want to pay via debit or cash, that's the customer's matter	Service Quality
5.	The song is like a small shop and the waiter likes to dance too much, for the food is good but also have to pay attention	Physical Environment
6.	Ask for the chicken thigh but they serve chicken chest. Also the portion is small and not fresh. Once enough!	Service Quality

Table 1.2 Negative reviews from customers of Ropang DKK Binjai

Source: Google Review

Based on the customer's review above, author has identified several problems that Ropang DKK Binjai had such as the unfriendly waiter/waitress not giving smile expression to the customers and also the foods being too slow to be served. While physical environment, the table, and seat are too close to people who sit in the back so sometimes customers can feel uncomfortable and unsafe. Moreover, when the customer who is sitting in the back is smoking, it will ruin the atmosphere dine in and inconveniences. These several problems may lead to customer dissatisfaction and disadvantages for Ropang DKK Binjai. The increasing customer dissatisfaction might decrease the restaurant's business sales and profit where the customers directly leave and choose the other restaurant. In fact, each customer is different and some of them can exceed expectations. So, regarding this, the author is interested in doing research which whether the service quality and physical environment have any influence on valuation from customer satisfaction with

the title “**The Influence of Service Quality and Physical Environment towards Customers Satisfaction at Ropang DKK Binjai**”.

1.2 Problem Limitation

In order to be more focused on this research given the limited sources, the author determines limitation of this study to service quality (X1) and physical environment (X2) as independent variable and customer satisfaction (Y1) as dependent variable. Regarding all of the variables, it will be supported by each of indicators based on previous researches. The five service quality dimensions are tangibility, reliability, responsiveness, assurance, and empathy (Klokkenga, 2020). According to Wakefield and Blodgett (1996) in Raghavendra et al., (2019) there are five dimensions of physical environment such as layout accessibility, facility aesthetics, seating comfort, electronic equipment/displays, and facility cleanliness. Lastly is the indicators of customer satisfaction. According to Selnes (1993) that stated in Ni Luh Desiyanti et al., (2018), the indicators of customer satisfaction are experience, expectation and overall satisfaction. The characteristics of respondents are the customers who ever visited the restaurant the minimum one time. Then the research is taken place from March to April 2022. Moreover, the author will limit the research object as well whereas the research will only take place in Ropang DKK Binjai.

1.3 Problem Formulation

Based on background study, the author can take problem formulation as follows:

1. How is the service quality in Ropang DKK Binjai?
2. How is the physical environment in Ropang DKK Binjai?
3. How is the customer satisfaction in Ropang DKK Binjai?
4. Does service quality partially influence customer satisfaction in Ropang DKK Binjai?

5. Does physical environment has partial influence towards customer satisfaction in Ropang DKK Binjai?
6. Do service quality and physical environment simultaneously influence towards customer satisfaction in Ropang DKK Binjai?

1.4 Objective of Research

The purpose of this study is:

1. To know about the service quality in Ropang DKK Binjai.
2. To know about the physical environment in Ropang DKK Binjai.
3. To know about customer satisfaction in Ropang DKK Binjai.
4. To know about the service quality have partial influence towards customer satisfaction in Ropang DKK Binjai.
5. To know about the physical environment have partial influence towards customer satisfaction in Ropang DKK Binjai.
6. To know about the service quality and physical environment have simultaneously influence towards customer satisfaction in Ropang DKK Binjai.

1.5 Benefit of the research

The benefit of this research will be divided into two, which are:

1.5.1 Theoretical Benefit

The completion of this study is expected to give a better understanding about how the relationship between both service quality and physical environment will give impacts towards the restaurant. Knowing how to look at these facts can also be useful to create strong marketing strategy, in particular with understanding variable of customer satisfaction in Ropang DKK Binjai which is influenced by the service quality and physical environment. This research is also expected to give insight and also become development for further study used by researchers or readers in conducting similar topic.

1.5.2 Practical Benefit

1. For Future Researchers

This research is expected to become references in understanding the relationship between service quality and physical environment which can influence the overall customer satisfaction in the food and beverage industry.

2. For Ropang DKK Binjai

This research is expected to give the understanding of service quality, physical environment and customer satisfaction in Ropang DKK Binjai. Also give more additional information to Ropang DKK Binjai so that owner can also see whether the relationship between independent variables and dependent variables has the impact on the restaurant. On a broader scale, owner can find out which variables are the most powerful in shaping customer satisfaction and formulate specific policies to help with the decision making process regarding the culinary business.

3. For Author

This research is expected to give the understanding for the author to practice and expand the knowledge in researching the problem, also regarding whether service quality and physical environment have influence on the customer satisfaction. In addition, it is also written in order to fulfill the academic requirements to obtain the degree of *Sarjana Manajemen*