

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Market opportunities in this era of globalization are very large, the marketer must be smart and have sensitivity in looking at everything that actually occurred in the consumer market. Companies, especially in the retail business segment that can't follow the trending marketing and consumer trends in the market will be displaced. One of the retail business that became a phenomenon in modern society today is a retail cafe business which hoped to be able to help the Government to decrease the number of unemployees in Indonesia.

Today, Medan as the biggest city in the province of North Sumatra is now growing metropolis. The numbers of coffee cafes in Medan are booming due to the trend of coffee culture nowadays. Besides as a place to drink coffee or tea and eat snacks, now the coffee shop also become a place to conduct special and personal meetings, gathering, socializing, expanding the network, and even become a place to do prospecting business among executives. There are many coffee shops that spread around Medan, such as Maxx Coffee, Starbucks, Coffee Bean and many more.

Maxx Coffee was established in 2015 under Lippo Group Co, it has six outlets in Medan. The first outlet was opened in 2015, precisely in Lippo Plaza Medan. Then, the fifth outlet of Maxx Coffee was opened in Sun Plaza Medan and established in 2016 which is very strategic, close to the office centers and star hotels in Medan, flagship, who introduced a café with local taste and Indonesia specialty coffee drink. As a result, it revolves as a unique café with a cozy atmosphere while serving local

coffee beans, such as, Aceh Gayo, Java, Bali Kintamani, and Flores Manggarai.

Maxx Coffee has similar interior and furniture design as the famous coffee shop chain, except products. Barista bar and cashier are located near the entrance are easily recognized as a place where the customer may order his or her drink, pay and pick it at the end of the table, at pick up point. The menu is located behind the barista bar where customer can read it without asking cashier first, except, if he or she needs a specific drink or ask barista's recommendation, such as coffee of the day.

And thus, because there are a lot of coffee shops in Medan, so, each coffee shops have to compete in every marketing activities. Service quality is seen as one component that needs to be realized by the company because it has the influence to bring in new consumers and can reduce the possibility of old customers to move to another coffee shop. According to Kotler and Keller in the journal Firmanda (2014, p.4) quality is the best guarantee of customer satisfaction and loyalty, the company's strongest defense in the face of competition and the only way to sustain growth and income.

According to Tjiptono in the journal Firmanda (2014, p.4) Quality has a close relationship with customer satisfaction. Quality gives an impetus to customers to establish strong ties with the company. In the long term, these ties allow companies to understand carefully the expectations of consumers and their needs. According to Tjiptono in the journal Firmanda (2014), one of the factors that determine customer satisfaction is consumer perceptions of service quality that focuses on five dimensions, namely: tangibles, reliability, responsiveness, assurance, empathy.

In recent years, coffee has become a culture in Medan. Coffee shops are a rising star and fastest growing niche that leads to more new competitors which also entering the coffee industry. As there are growing

numbers of new entrants in the coffee industry, Maxx Coffee faces fierce competition. Below are the Table of Maxx Coffee's visitors at Sun Plaza Medan in 2018.

Table 1.1 Total Visitor Maxx Coffee Sun Plaza Medan in 2018

No.	Month	Total visitor
1	January	4.875
2	February	4.680
3	March	7.890
4	April	5.413
5	May	6.987
6	June	5.480
7	July	6.890
8	August	5.530
9	September	6.561
10	October	7.032
11	November	5.531
12	December	7.540

Source: Maxx Coffee Sun Plaza Medan (2018)

Table 1.1 shows at the beginning of 2018 the number of visitors at Maxx Coffee of 4,875 subsequently decreased due to the fact that this month there was no big holiday, as usually Maxx Coffee had many visitors on holidays as happened in March, May, September, October and December. Whereas in the regular months that there is no day off regular Maxx Coffee is visited between 50-75 people per day while the day of the weekend visitors can be up to 100 or more which the average visitor who the young people who do special meetings that are personal and family entourage.

With the existence of population data, it can be illustrated that the basic principle that needs to be done by service companies is to provide optimal service, so that customers feel satisfied. According to Kotler & Keller in Fawzi (2017. P,14) customer satisfaction is a customer's

perception received by the customer where the service is received near reality or in accordance with customer expectations. And also, Due to the increasing number of new entrants in the coffee industry, consumers have more choices to choose other than Maxx Coffee. And also if the service quality is favorable, it can affect the customer's satisfaction in Maxx Coffee.

In reality, Maxx Coffee in Sun Plaza is still lacking in meeting the customer's satisfaction. Some customers left with uncomfortable feeling because when they wanted to buy, they had to go to a long queue, sometimes the tables were full of rubbish, the cashier was rude and didn't give proper information to customers.

Therefore, every companies have to understand several factors that can lead to poor service quality, which are some weaknesses that exist in service employees and can have a negative impact on perceived quality including: not skilled in serving customers, the employee's dress method is not in accordance with the context, the employee's words are not polite, the employee's body odor disrupts the customer's comfort, the employee always looks not cheerful.

Based on the explanation above reasons, the writers took the opportunity to conduct this research to identify the **“The Influence of Service Quality towards Customer Satisfaction at Maxx Coffee Sun Plaza, Medan”**.

1.2 Problem Limitation

The limitations of this study aimed to research the problem is not too broad, then the limitations of the study include:

1. The object studied is Maxx Coffee which is located in Sun Plaza Medan which is the operating hour is from 10.00 AM – 10.00 PM and this research conducted during 1 March 2019 – 2 April 2019 at 02.00 PM – 04.00 PM.
2. Consumers to be studied is Medan's citizen who has come and consume Maxx Coffee products in Sun Plaza Medan.

3. Number of respondents as many as 50 respondents, which are males and females age range from 18 to 50.
4. Using the 5 indicators to measure the service quality by Tjiptono and Chandra in the journal Firmanda (2014) which are: tangibles, reliability, responsiveness, assurance and empathy.

1.3 Problem Formulation

This research addresses the following research question is, does service quality influence customer satisfaction at Maxx Coffee in Sun Plaza Medan?

1.4 Objective of the Research

The research objectives are as following is to identify the influence of service quality towards customer satisfaction at Maxx Coffee in Sun Plaza Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The results of this study can provide some knowledge of the influential service quality that affects the customer satisfaction for buying products from Maxx Coffee, can be useful as a learning material to give a new perception and can be used as a reference in supporting data related to future research.

1.5.2 Practical Benefit

This research is expected to provide new perception for Maxx Coffee Shop Indonesia, especially the existing outlets in Sun Plaza Medan on service quality that influence customer satisfaction at Maxx Coffee.

1.6 Systems of Writing

Systematic discussion of this research project is stated as follow:

1. Chapter 1 Introduction

On the first chapter is the introduction of the research and will present a clear overview of the research project by discussing background of the study, the background is the general rational of both empirical and practical research issues for rising the interest of the writer to do the research. The background helps in the understanding of the research problem and basic reasons of the reasearch. Next is problem limitation, problem limitation aims to prove the clear boundaries regarding which part of the issues will be assessed and which part will not. The purpose of the problem limitation is to control so that the problem discussed will not be too broad. The third is problem formulation, includes the research questions that will be examined and can be investigated in accordance with the focus of research area. The fourth is research objective, the objective of the research should be mentioned clearly and firmly on what is aimed by the research. Next, benefit of the research in this section, the possibility of the application of the research is explained. Research should provide benefits for at least two parties : the development of the management theories and for the practitioners. Lastly is systems of writing in this section contain an overview of the content of skripsi from chapter to chapter in form of explanation.

2. Chapter 2 Literature Review and Hypothesis Development

On the second chapter is to review the relevant literature of past researches related to this research project. All the past researches acquired are considered as secondary data such as journals, articles and reports. Firstly, the theoretical background. This section contains a general theoretical review in accordance with the background, and further narrowed to the focus of the research problem. This section can be broken down sub-sections according to the research problem. Secondly, through the past researches being adopted for this research.

Relevant researches which have been conducted by other previous writers also need to be included in Chapter II of the skripsi. This inclusion is intended to strengthen the result of previous research (if the result of this study is the same with results of the previous study), or in contrary with the result of the previous studies. Thirdly, the hypothesis development for all the one independent variable and one dependent variable are developed. The hypothesis states the logical relationship that allegedly took place between two more variables in formulation of the propositions that can be tested empirically. Next is research model. Model constructed for research is intended to prove the truth of the hypothesis. The research model is depicted in a chart. Lastly, framework of thinking. Framework of thinking is a chart that illustrates the mindset of the writer which is associated with the research process.

3. Chapter 3 Research Methodology

On the third chapter are the outlines of the research methodology of this research project. The research methodology in this chapter includes research design, this sub-chapter is describing whether the research will use quantitative or qualitative method. The second is population & sample, Research population is the overall research subject. Sample is part or representative from the population that will be observed. Thus, the population cannot be the same with the sample. The third is data collection method, Data collection method gives the brief and clear view in regarding how the data that is being used in the research is collected including the source of data and the collection method. The fourth is operational variable & variable measurement, Operational variable definitions is a description that shows clearly and accurately in how a variable is being measured. Variables that will be used in the research need to be described clearly and explicitly to give the initial picture of what will be researched and how each of the variables will contribute to answer the research

problems that have been formulated. and lastly, data analysis method. In this sub-chapter, writer needs to explain the steps that have been taken to process the raw data to be a ready -to- use data to be analyzed along with the method to analyze it.

4. Chapter 4 Data Analysis and Discussion

On the fourth chapter, will display the general description of the “Research Object”. This sub chapter will show the general description of the object that will be studied. This general description is including the history of object's establishment, vision, mission, operational goals and object's operational activities. The second is the data analysis. the writer will test and analyze the data collected from the results of the questionnaire. And Lastly, discussion of this research. This section will describe the result from data analysis thoroughly. The explanations given need to be related with the theory and the previous research. Thus, this sub chapter contains the answer of the problem formulation and research objectives that have been stated in chapter 1 which will be presented in a long, scientific and clear explanation.

5. Chapter 5 Conclusion

On the fifth chapter, contains the conclusion of research that has been obtained in chapter IV, where the results of chapter IV will answer the formulation of the problem in chapter I, Conclusion is the brief answer from research's questions. More often, in the quantitative research, conclusion is also a media to prove whether the hypothesis is approved or rejected. The second is Implication contains the impact from the result of the research conducted theoretically and or practically. And lastly, recommendation contains the suggestion to the external parties, for example to the business entity, society and the terms maker that is related with the research findings.