CHAPTER I

INTRODUCTION

1.1 Background of Study

A hotel is a business facility that offers paid lodging to guests, generally on a short-term basis. It usually comprises of guest rooms or suites that are outfitted with necessary facilities such as mattresses, toilets, and furnishings to assure the comfort and convenience of the guests. To improve the entire visitor experience, hotels frequently include extra services and amenities such as restaurants, bars, leisure spaces, conference rooms, and concierge services. A hotel's principal function is to provide temporary shelter and comfort to individuals or groups who are away from their home surroundings.

In today's world, the hotel sector is a dynamic and expanding industry, impacted by shifting customer tastes, technology breakthroughs, and worldwide trends. Hotels are seeing greater competition from alternative housing choices such as Airbnb as internet booking platforms and the sharing economy grow. This has compelled conventional hotels to adapt and innovate to remain relevant. Sustainability and eco-consciousness have grown in importance, prompting many hotels to implement green practices and energy-efficient technologies.

The hospitality business, specifically the hotel sector, suffers special concerns in attracting customers and differentiating out from the competition. Hotels must carefully monitor their service quality, make use of social media advertising, and utilize the power of word-of-mouth marketing to do this. Within the service sector, the hospitality sector holds a special place since it centers on providing visitors

with pleasurable experiences and attending to their requirements and wants. in any sector, customer loyalty and happiness are crucial since excellent customer experiences may result in repeat business, recommendations, and a strong brand reputation. In a market that is getting more and more competitive, developing a unique brand image, positioning, and value proposition is crucial.

According to Keller and Kotler (2009), as cited in Annisa, 2021, in the digital era, an increasing number of people in Western cultures are discovering new opportunities to connect with like-minded persons and are more interested in meeting their demands for enjoyment and self-actualization. Customers' purchasing decisions are significantly influenced by social media advertising. It raises product visibility and awareness through targeted advertisements and entertaining content. Customer reviews and influencer endorsements provide critical social evidence. On sites like Facebook, Instagram, and Twitter, visual appeal and timely marketing capture attention and encourage action. Retargeting reminds interested clients about items, whereas two-way communication answers questions. A strong social media presence builds trust and credibility. Overall, social media advertising has a strong influence on customers, prompting them to think about and make purchases.

According to Chang (2008), as cited in Arifin, 2018 the idea of service quality should be viewed broadly from the standpoint of consumers, because customers have varied values, evaluation grounds, and situations. Customer buying decisions are heavily influenced by service quality. Customers are happier and more trustworthy when they receive high-quality service. Customer loyalty, repeat

purchases, and favorable word-of-mouth referrals can all result from this level of happiness. It also improves a company's brand image, competitive advantage, and perceived value of its products or services. Poor service quality, on the other hand, can lead to customer attrition and have a negative influence on customer perspective. As a result, companies that emphasize and consistently provide exceptional service quality are more likely to attract and keep clients, influencing their purchasing decisions favorably.

According to Hsu (2011), as cited in Annisa, 2021, Word of mouth is one of the behavioral consequences of customer happiness. It is apparent that the relationship between word-of-mouth and customer pleasure is quite close. Because of its dependability, social effect, and tailored recommendations, word of mouth has a considerable influence on customer buying decisions. It reassures customers, minimizes risk, and develops emotional ties between them and companies. In the digital era, online evaluations and social media suggestions expand their reach. Outstanding items may become viral, and word of mouth helps to build long-term brand loyalty. It's a low-cost marketing technique that relies on pleased consumers to promote items, resulting in increased sales and brand advocacy.

Alvina is a hotel in the city of Pematang Siantar that became operational in 2017. Alvina Hotel features 50 rooms of various sorts ranging from standard to president suite. The Alvina Hotel has facilities like hotels in general like internet, breakfast, and a water heater. The Alvina Hotel also has huge meeting rooms. Alvina is a hotel that also offers a cafe and a rooftop cafe & bar. Below is the
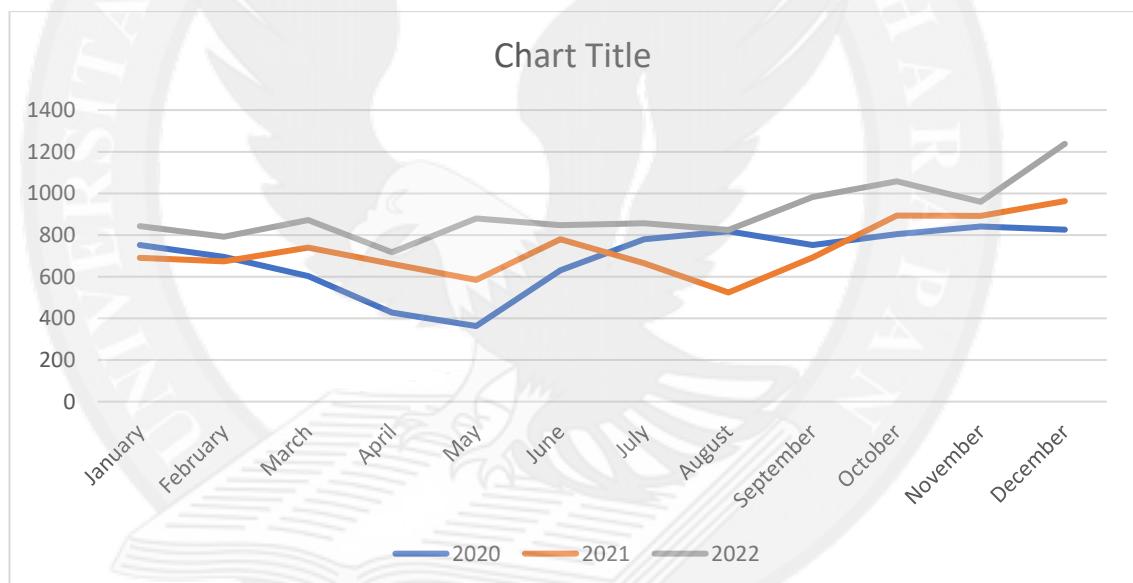
number of transactions in Alvina hotel from January 2020 to December 2022.

Table 1.1 Number of transactions at Alvina hotel

Month	2020	2021	2022
January	752	690	842
February	695	673	792
March	603	740	872
April	427	662	717
May	363	584	879
June	631	779	848
July	780	664	857
August	818	524	824
September	752	692	982
October	804	894	1058
November	841	892	960
December	826	963	1238

Table 1.1 Number of Transactional at Alvina Hotel from 2020 – 2022

Source: Alvina Hotel (2023)

Figure 1.1 Number of Number of Transactional at Alvina Hotel from 2020 – 2022
Source: Alvina Hotel (2023)

The data on the number of transactions shown above has been graphed. The graph above shows that the number of transactions each month varies from year to year. Looking at the data year after year, there is still a slight increase in the number of transactions, even if there was a significant decrease in sales in the beginning of 2020 due to the Covid 19 epidemic. Even if the Alvina Hotel

experienced an increase in sales transactions in 2021 and 2022, it is still impossible to predict the future because there is still a decrease in the number of transactions. As a result, hotel development and improvements will be difficult.

It's not simply the pandemic that's causing decreases in the number of transactions at the Alvina Hotel. According to customer reviews from Google Review, lots of customers have been dissatisfied with their experience at the Alvina Hotel. Alvina hotel receives positive feedback as well, however, most of the positive feedback is for Cafe Alvina rather than hotels. The following is a negative Google review of the Alvina Hotel.

Figure 1.2 Customer Review of Alvina hotel
Source: Google Review

According to the Google review above, the level of service provided to customers at this moment is still below customer expectations. Customers demand excellent service and the ability to satisfy their expectations, such as workers who are pleasant and not arrogant. This can be seen by consumer complaints about services provided by staff that fail to fulfill the expectations of customers who are expecting excellent service from the Hotel. The customer also wishes for cleaner rooms. This will influence customers' purchasing decisions.
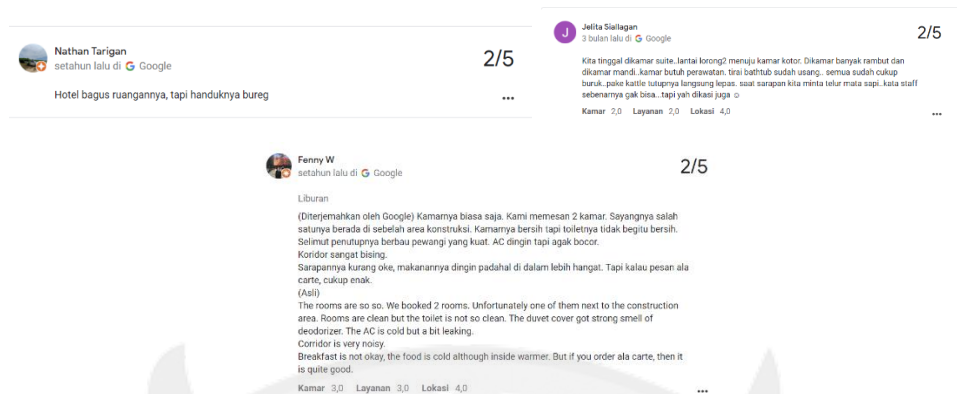
Figure 1.3 Customer Review of Alvina hotel
Source: Google Review

The following is a negative evaluation about improper facilities and prices, which will undoubtedly reduce consumer interest in visiting and staying at Hotel Alvina. Word of mouth is extremely powerful since it frequently originates from reliable sources such as friends, family members, coworkers, or internet groups. When making judgments regarding purchases, vacation arrangements, eating options, and other matters, consumers frequently depend on the experiences and suggestions of people they trust before stay at the hotel.

Before staying at the Alvina Hotel, most of the customers do research before making a purchase decision and set expectations based on what they see and read. When guests arrive at the hotel, they may not receive the service that they expect. Furthermore, the sole highlight of a hotel stay is the service at check-in and check-out, therefore consumers are especially dissatisfied if they do not receive outstanding service. Of all the bad feedback customers give, most talk about receptionists who are impolite and seem arrogant. The staff at Alvina Hotel also makes no effort to help guests carry luggage.

Alvina Hotel only uses Instagram for social media advertising since their hotel advertising on Instagram is currently ineffective. Alvina not only runs a hotel, but also a café of the exact same name, and both share their accounts on Instagram. Alvina's Instagram profile will be apparent below.
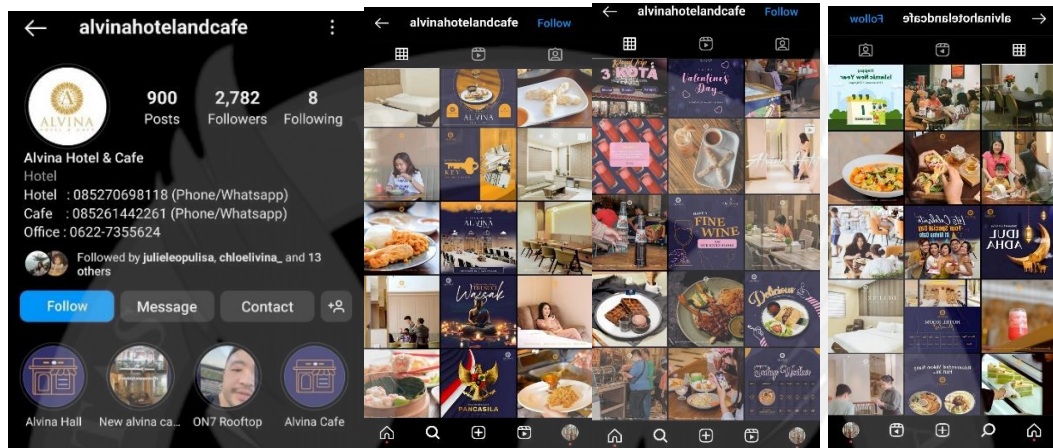
Figure 1.4 Alvina hotel social media
Source: Instagram

From the information provided above, Alvina mostly focuses on advertisements on Instagram, and that account advertises café more than hotels, with more information and promotions at cafes in compared to hotels, in this way customers cannot get information about hotels and cannot attract new customers.

Alvina Hotel is still lacking in effective social media communication, customers are able to send messages via DM on Instagram, but Alvina is always slow in responding to customer messages. Alvina Hotel also never approaches repeat customers to give current hotel information like promotion and even.

Online reviews now have a significant influence on customer purchasing decisions. Online reviews can be positive or negative. Currently, Alvina Hotel has not received many customer reviews, so potential consumers are unable to consider the hotel's condition from the customer's perspective.

The Alvina Hotel collaborates with Medan influencers; however, it does not attract customers. Alvina Hotel additionally partners with beauty clinics, so consumers may come to Alvina for consultations or treatments, but that isn't enough to attract customers. Because Alvina Hotel only has an Instagram account, the postings are more boring and lack attractive content, now TikTok is a popular social media platform at the moment, Alvina hotel may follow the current trend. Alvina might attract young consumers by providing interesting content.

All negative Google reviews have an impact on consumers' perceptions of hotels, particularly those who have limited access to social media information. Furthermore, buyers place a higher value on direct evaluations from friends or family. It is well known that the Alvina Hotel faces significant challenges in maintaining favorable word-of-mouth. If guests had an enjoyable experience, they are more inclined to share it with others. And the hotel can increase future customer purchase decision. On the other hand, if there are concerns such as poor room cleanliness, unpleasant personnel, or delayed service, visitors may communicate their negative experiences, and consider the upcoming purchase.

Inconsistent service quality might result in mixed ratings. Word of mouth may have both good and bad effects on a hotel's image, so it's critical for businesses to prioritize service quality and efficiently manage their online presence, particularly on social media platforms. If not properly controlled, social media sites may multiply unfavorable reviews to increase customer purchase decision. A poor experience expressed by one customer can swiftly spread to a larger audience.

While word of mouth may be a strong and significant influence in customer purchase decisions since Alvina hotel Information shared by word of mouth may not always be accurate or dependable. Alvina has received negative feedback from consumers. Rumors, misconceptions, or biased viewpoints could change the point of view, resulting in confusion for potential customers. Furthermore, in today's era of information overload, the Alvina hotel has received both favorable and bad reviews, making it difficult for people to make informed choices based purely on word of mouth. After that, customers may receive suggestions for many hotels, making it difficult to select the one that best meets the customer's demands, and word of mouth from friends or relatives may not give a clear comparison between the different options.

Customers have noticed Hotel Alvina through social media advertising and word of mouth, which builds their expectations. However, there are problems with service quality at Hotel Alvina, which influence customer purchase decisions. Therefore, the writer would like to conduct research under the title "**The Influence of Social Media Advertisement, Service Quality, and word of mouth toward customer Purchase Decision at Alvina Hotel, Pematang Siantar**."

1.2 Problem Limitation

The writer will do research in Alvina hotel pematang siantar. For this study there will be one independent variable and three independent variables I conjunction with their indicators. The first variable is Social Media

Advertisement (X1), with indicator: Impression and Reach, social media follower growth, Online review, interesting content. Service Quality (X2), with indicator: reliability, responsiveness, and empathy. word of mouth (X3), with indicator: Talkers, customer testimonials and ratings, social sharing, customer advocacy, and customer loyalty. And last Customer Purchase Decision (Y), with indicator: Potential for future purchases, information search, post purchase behavior.

1.3 Problem Formulation

Based on the indicators that have been recognized in the problem's limitation and the data in the study's background, the researcher can develop some research questions, such as:

a. Dose the social media advertisement has influenced on the customer purchase decision at Alvina hotel, pematangsiantar?

b. Does service quality have influenced the customer purchase decision at Alvina hotel, pematang siantar?

c. Does word of mouth have influenced customer purchase decision at Alvina hotel, pematangsiantar?

d. Do social media advertisements, service quality and word of mouth have an influence toward customer purchase decision at Alvina hotel, pematang siantar?

1.4 Objective of the research

a. to examine whether Social Media Advertisement has an influence on Alvina hotel customer purchase decision.

b. To examine whether service quality has an influence on Alvina hotel customer purchase decision.

c. To examine whether word of mouth has an influence on Alvina hotel customer purchase decision.

d. To determine whether social media advertisement, service quality, and word of mouth has an influence on Alvina hotel customer purchase decision.

1.5 Benefit of the Research

Based on this research on the social media advertisement, service quality, and word of mouth which influence customer purchase decisions at Alvina's Cafe in Pematang Siantar, the writer can get two types of benefits, as mentioned below:

1.5.1 Theoretical Benefit

The results of this research are expected to help to a larger evaluate on growing social media advertising, service quality, and word of mouth in the Alvina hotel as a support for customer purchasing decisions and guess satisfaction during staying at the hotel. It is intended to help in the development of theories regarding social media advertising, service quality, and word of mouth in client purchasing decisions.

1.5.2   Practical Benefit

Practically, the research is expected to generate benefits as follows:

1. For the writer

   The research that was accomplished may improve applied knowledge regarding social media advertisement, service quality, and word of mouth with a greater understanding of variables that influence customer purchasing decisions.

2. For the Hotel

   This research paper is expected to provide information to guide the hotel to determine how Service quality, social media advertisement, and word of mouth affect customer purchasing decision.

3. For another research

   This research can be used as a starting point and reference for their own work related to social media advertisement, service quality and word of mouth toward customer purchase decision at hotel.