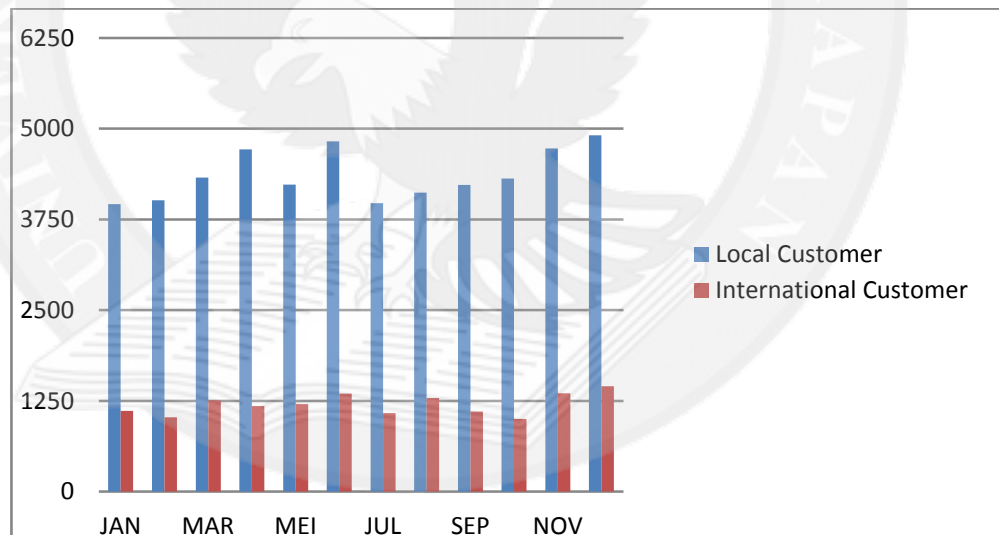


# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

Nowadays, quality has taken important part in business in competing with others. Not every company could successfully satisfy their customer which sometimes caused them to tell other people about the bad customer service experience in the company. Therefore, maintaining the service quality together with customer satisfaction is not easy thing to be done. Company especially hotel businesses need to place importance on this part and train their employees well to give a good service quality for customers to achieve the customer satisfaction. A business that performs high service quality could easily meet the customer expectations. Regarding to several studies, if company improves their service quality, it could also at the same time increase the profitability and the success of the company, also create long term competitiveness.



**Figure 1.1 Customer's Growth of Cambridge Hotel 2018**

Source: Cambridge Hotel Medan (2019)

**Table 1.1**  
**The Number of Cambridge Hotel's Customer Growth 2018**

No.	Month	Local Customer	International Customer
1	January	3,962	1,114
2	February	4,012	1,023
3	March	4,325	1,256
4	April	4,713	1,178
5	Mei	4,231	1,204
6	June	4,826	1,352
7	July	3,974	1,080
8	August	4,119	1,289
9	September	4,227	1,103
10	October	4,311	1,001
11	November	4,729	1,354
12	December	4,908	1,453
	Total	52,337	52,337

Source: Cambridge Hotel Medan (2019)

According to the data provided, it shows the number of customer's visit in 2018 which reveal that there is the unstable of the customer's growth. It indicates that this hotel has the problem in their operational processes. The company needs to identify the problems quickly so that they could maintain better performance for the company. When company has the unstable customers, it can be something wrong with the service or there might be other aspects which cause the customers not coming back.

Based on Zabriskie (2017), it mentioned that "Although your customers won't love you if you give bad service, your competitors will." People as your competitors are looking forward for your business to make a wrong move or cause some issues which can influence the business development. In addition, they can often play an instigator position. If the company doesn't understand how to make a deal with the negative backlash, being prepared for their provocations is not enough. However, if the company provides incredible customer service to your customers, the company will gain arguments to persuade those uncertain about the services of the company.

According to White House Office of Consumer Affairs (2018), on average, loyal customers are worth up to ten times as much as their first purchase. Some research suggests acquiring a fresh customer is six to seven times more costly than keeping present customers. Besides being more costly, maintaining the current and loyal customers it is much more difficult than gaining new customers.

It was observed that providing good quality of service and customer satisfaction have highest priority among the other marketing concepts of service. It has been shown in the suggested model that perceived service quality rely on technical and functional characteristics and it clicks on the satisfaction cue when customer get the required service level. Therefore, the model also indicates the satisfaction of customer caused by service quality. (Rahman, Zaman, & Hossain, 2018)

It is indicated that quality of service is defined as if the service given can meet the expectations, conditions, and fulfillment of the customer. The connection between service quality and behavioral intent is mediated by the perceived importance of both the customer and the satisfaction of the customer. Quality of service enhances probability through customer satisfaction, trust and loyalty. (Rozenes and Cohen, 2016)

Cambridge Hotel Medan which formerly known as Grand Swiss-Bell Hotel Medan is a contemporary lifestyle hotel situated in the central business district of Medan, North Sumatra. It located in the Cambridge City Square area merging with premium lifestyle Cambridge Mall and Luxurious Condominium.

Their vision is to be a market leader in the city hospitality industry by delivering professional services which will be the preferred destination of choice for guests, colleagues, shareholders, and business partners. Moreover, in order to become a market leader, they have created their mission for their guests, their team, and their shareholders.

Cambridge is committed to meet and exceed the expectations of their guests through dedication service of every aspect truly from their heart. Besides that, they are committed to the growth, development, and welfare of their team upon whom they rely to make this happen. Furthermore, as a result, they will create extraordinary value for their shareholders.

The hotel often finds out that there are many bad comments in the hotel review on website, but they always try their best to overcome those problems. Sometimes those bad comments are the fake one created by people or maybe competitors who are not happy with the company. When those bad comments appear, the company will delegate the employee to do investigator to find out the fact that is happening. But the real thing is there is nothing happen according to the bad comments written in the review. Nothing is real.

According to the HRD of Cambridge Hotel, they are getting used to it as some other hotel might be facing the same problems. The HRD always remind the employees to check the room properly and always make sure that the things stated in the review or comments in the website or application is not true. Regarding this situation, the writer would like to take this opportunity to conduct this issue in this research in order to analyze the customer satisfaction.

As stated above, with a good quality of service provided by the company to the customer, it will create more satisfied customers. Therefore, the writer wants to analyze the service quality and the problems in Cambridge Hotel whether it is impact to the customer satisfactions or not, also the writer wants to give some recommendation for the problems occur if it is needed.

In order to conduct further study about the issue related, the writer is taking the opportunity to choose the title of **“The Impact of Service Quality towards Customer Satisfaction at Cambridge Hotel in Medan”**.

## **1.2 Problem Limitation**

According to Dudovski (2018), problem limitation may relate to the aims of research formulation, implementation of data collection method, sample size and discussions scope. Due to the limitation of time, budget and resources, the writer would like to limit the research to service quality as the independent variable and its relation to the customer satisfaction as the dependent variable at Cambridge Hotel in Medan.

The indicators of service quality are tangibles, reliability, assurance and empathy, then for the customer satisfaction which is the dependent variable, the indicators are satisfaction, content, relived, novelty, and surprise. This research will conclude based on the available data and only focus on the international customers within a year, which is from 14<sup>th</sup> February 2019 – 28<sup>th</sup> May 2019.

## **1.3 Problem Formulation**

Regarding to the variables used in this research, it could be many factors which could affect the service quality and customer satisfaction of the company. Therefore, this research will provide the suitable answer for the following questions, such as:

1. How well is the service quality at Cambridge Hotel?
2. How well is the customer satisfaction at Cambridge Hotel?
3. Does the service quality impact the customer satisfaction at Cambridge Hotel?

## **1.4 Objective of the Research**

The objective of this research is to identify the issues occur and the writer attempts to find the right solution regarding to these issues. The objectives of the research need to be clearly defined in order to have a good research.

Without a clear objective, it will be no direction and aimless in conducting the study. Research objective will provide summarization on what is going to be achieved in the research. The aim of the research is as follow:

1. To know about how well the service quality at Cambridge Hotel in Medan.
2. To know about how well the customer satisfaction at Cambridge Hotel in Medan.
3. To know about whether service quality has impact on customer satisfaction at Cambridge Hotel in Medan.

## **1.5 Benefit of the Research**

### **1.5.1 Theoretical Benefit**

Regarding to theoretical benefit, the research will give benefit as follow:

As for the writer, the result of the research will improve the analytical skills and expand knowledge in academic area, especially on service quality and customer satisfaction. Also, the writer would get more experience in this area.

### **1.5.2 Practical Benefit**

Regarding to the practical benefit, the research will give benefit as follow:

1. For the reader, this research would enhance knowledge of service quality.
2. For the company, this research would give recommendation for the company to improve the business through getting the customer satisfaction by providing a better service quality.
3. For the other researchers, this research could be as their reference on the similar area.



## 1.6 Systems of Writing

The following is the systems of writing in this final paper:

- |             |   |
|-------------|---|
| Chapter I   | Introduction<br>In this chapter, it elaborate about the background of the study, problem limitation, problem formulation, objective of the research, benefit of the research which include theoretical benefit and practical benefit, and the last one is systems of writing. |
| Chapter II  | Literature Review and Hypothesis Development<br>This chapter explains about theoretical background, previous research, hypothesis development, research model and framework of thinking.  |
| Chapter III | Research Methodology<br>This chapter identifies the research design, population and sample, data collection method, operational variable definition and variable measurement, and data analysis method.   |
| Chapter IV  | Data Analysis and Discussion<br>This chapter develops the general view of research object, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.  |
| Chapter V   | Conclusion<br>This chapter clarifies about the conclusion, implication, and recommendation is also provided regarding to the research problem.  |