CHAPTER I

INTRODUCTION

1.1   BACKGROUND OF THE STUDY

Nowadays, the industries of tourism and hotel are not free from the concerns of service quality.In this increasingly tight and competitive industry, it is very significant to differentiate one hotel's services from its competitors. To accomplish this, managers and employees should understand the wants and needs of customers, and should satisfy them by offering exceptional and high-quality services. These kind of efforts would be able to improve the market share and overall, profitability. Since service quality is a significant part of business practice in the industries of tourism and hotel, it is vitally significant to clearly define the quality of service of a hotel.

The quality of service in hospitality industry has become one of the most critical factors to gain customer's confidence as well as gaining a sustainable competitive advantage in this tightly and highly competitive marketplace. For that being the reason, service quality is capable of giving the hospitality industry an incredible opportunity to create a competitive and ambitious differentiation for one organization. A hotel is known successful when the hotel is capable of delivering excellent quality of service to their customers or guests, and this quality of service is considered as the life of one hotel.

There could be numbers of reasons by which customers may get satisfied and dissatisfied. To measure it, SERVQUAL is a very effective tool that can be used to know the gap between the expectation of customers andthe perceptions of the service accepted by the customers, which developed by Parasuraman et al, 1988. It is used to find out the difference between the expectation and perception of customers based on 5 factors of quality broadly categorized as assurance, empathy, reliability, responsiveness and tangibles.

According to Chung and Chen in journal Savita Sharma and Sidharth Srivastava (2018), high quality service has a significantly positive impact on the customer satisfaction and it is directly proportionate to each other. For this reason, for the company to have more value in the eyes of customers, the company must make customer satisfaction its main goal.

Customer satisfaction is the internal feelings of each and every individual, which can be divided into two parts, known as satisfaction and dissatisfaction. Both of these satisfaction and dissatisfaction are the results from the service evaluations delivered to a person in setting to customer's expectation by a company. Nowadays, hotels are constantly tring to improve their quality of services to satisfy their guests, in view of the fact that if the customer satisfaction level is high, then the level of loyalty of a customer will also rise towards a certain brand.

When expectations are not met with the customer's perception, the service quality is deemed unacceptable or dissatisfactory. When the expectations are in the same line as the perception of the customer, the service quality is categorized as satisfactory. However, if the perception exceeds the expectation, the service quality is rated as exceptional.

In hospitality industry, the measurement of service quality is very helpful towards the organization in comparing the difference between before and after changes of one particular thing. It is also helpful in identifying the standard of service delivery, as well as in perceiving issues that related to the service quality. The measurement can be used in order to be better in every aspect. For that reason, the service quality and customer satisfaction measurement gives advantages to an organization in both quantitative and qualitative way. Obtaining a high level of service quality and customer satisfaction is equivalent to the improvement in the loyalty of customer, the increase in market share, higher rate of returns on investment, reduction in cost, as well as assurance of competitive advantage. It additionally has a positive impact on the satisfaction of employees.

Service quality measurement is used by three stars hotel or above as one of their hotel marketing tools to prove the hotel's quality. The way of these hotels' management systems work is by looking at the hotel rating. The position of top ten in hotel rating websites is mostly the targeted hotel since those positions are considered as the certificate for their hotels quality of service. Most of the times, when one traveler is doing a research for hotels, they mostly browse into those websites. It is common that travelers who care about top notch will only look at some of the beginning pages that are showing the highest positions. It is a competitive advantage for having the name there, which can help the hotel to attract more guests or customers. Unmistakably, hotel-rating systems can encourage the operators of hotels to improve and enhance their service quality, which may prompt changes in hotel performance.

Some previous theories state that by providing high quality service, the customers will feel happy and satisfied with the good service. However, it is common to businesses to face challenges of meeting and exceeding their customers' expectations in order to make sure one hotel achieves customer satisfaction, which is the base of any company through high service quality. Therefore, researcher interviewed the manager of HRD of Karibia Boutique Hotel Medan, and found out that Karibia Boutique Hotel Medan has a good service quality with the maximum number of employees. "However, Karibia Boutique Hotel Medan employees also encounter some difficulties to keep up with all the jobs when it comes to busy time or peak season, which may influence the employee's performance on delivering high quality of service."

In this study, the researcher wants to analyze the influence of service quality towards customer satisfaction and write it in this thesis entitled "**The Influence of Service Quality towards Customer Satisfaction at Karibia Boutique Hotel Medan**".

1.2   PROBLEM LIMITATION

Due to limited period of the research, insight and knowledge, the research will be some imperfection available. The research conducted by the writer will be focusing on service quality and customer satisfaction. Service quality as the independent variable will be with five dimensions of service quality, which are reliability, responsiveness, assurance, empathy and tangibles (Hernon et al., 2015). Customer satisfaction as the dependent variable measured by conformity of expectation, interest visiting again and willingness to recommend (Hawkins and Looney in Nuridin, 2018).

1.3   PROBLEM FORMULATION

Based on the background of the studymentioned above, the problem statement of this final paper in which interest the writer to find out is:Does service qualityhave influence towards customer satisfaction at Karibia Boutique Hotel Medan?

1.4   OBJECTIVE OF THE RESEARCH

The research objective is to discover whether or not service quality hasinfluence towards customer satisfaction at Karibia Boutique Hotel Medan.

1.5   BENEFIT OF THE RESEARCH

1.5.1   THEORETICAL BENEFIT

Theoretically, the results of this study are expected to be useful to strengthen the theory about marketing, especially about the influence of service quality towards the level of customer satisfaction in ahotel.

1.5.2   PRACTICAL BENEFIT

The practical benefits expected from this research are as follow:

1.   For the writer

This research can provide an overview and knowledge about management marketing, especially about the influence of service quality towards customer satisfaction in a hotel.

2.   For the company

This research is expected to be used as a suggestion to give more attention about reliability, responsiveness, assurance, empathy and tangible aspects in order to fulfill the level of customer satisfaction.

3.   For the researchers

The results of this research are expected to be used as a source of references for future researchers who are concerned in conducting related research.

1.6   SYSTEM OF WRITING

The researchers compiled the writing with the following details:

Chapter I   : Introduction

This chapter contains the background of the study, problem limitation, problem formulation, research objectives, benefit of the research, and systems of writing.

Chapter II   : Literature Review And HypothesisDevelopment

This chapter contains theoretical background, previous research, hypothesis development, research model, and framework of thinking.

Chapter III   : Research Methodology

This chapter will describe the research design used, the object of research, the method of data collection performed and the method of data analysis.

Chapter IV   : Data Analysis And Discussion

This chapter describes the overview of the research objects discussed in this study and describes the data analysis and the detailed discussion.

Chapter V   : Conclusion

This chapter contains the conclusions of what has been described in the previous chapters, and also contains suggestions for improvement for implication research development related to this research topic.