

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In hospitality management majors, the service business is an interesting thing to make in a business such as the restaurant industry. After know more about what is service in hospitality management majors at UPH Medan. the writer hopes can have her own business and become an entrepreneur. the reason writer takes the company that has been operating more than a year, namely 31 Pare House Restaurant Medan, as the research object. In this research, the writer hopes to learn and know more how the owner can be running the business more than a year and controlling the operation especially the service.

Progress in the culinary field is one of the distinctive features of the culinary entrepreneur. this always demands changes in all types of provision of needs, including expertise in providing good service. The culinary world and the restaurant industry shifts, changes, and progresses each year as trends develop, rise to popularity, and fall out of favor to make space for new innovations (Janer, 2018).

In hospitality industry, quality is very important for the company and customers because the quality of goods or services have a big effect or related to customer loyalty. So, the quality of services can be one important strategy in the competition. The quality of services is influenced by two factors: expectations and perceived performance of consumers. Consumers will compare consumer expectations and performance provided by the company in the form of satisfactory service delivery. When the expectations are met by the service company, then the service is said to have good quality and will be able to satisfy consumers. In the conditions of harsh market competition and increased specificity of customer's expectations and demands, especially those operating within the service industry

approach is an important prerequisite for acquiring sustainable competitive advantage. In general, customer loyalty as one of the basic prerequisite for the long-term profitability can be defined as a commitment to an organization, based on the strong positive attitude of the customer and is expressed in re- purchase of products or services (Milan, 2016).

The role of service quality in the company is very important because it is the main driver of all company activities or activities in achieving its objectives, both to gain profits and to maintain the survival of the company. The success or failure of a company in maintaining its activities starts from the man himself in maintaining the company in maximizing performance. The company must have an appeal and provide a good image in the eyes of the community by providing quality services. Seeing these conditions, companies must try to improve the situation by providing the best service to the community in order to be able to compete with other companies. With good service, it is expected that the community will feel valued and not feel neglected and finally the community as consumers will move to another company.

Service is a very important element in a company. To improve service to consumers, companies must pay special attention to service activities in terms of meeting customer needs so that in its implementation it can satisfy its customers. Location and environment also plays a major role in facilitating customer loyalty. There are now more choices and flexibilities for customers, especially in food sector where the rate of switching is more (Karki & Panthi 2018). 31 Pare House Restaurants Medan have a set target with their specialties Chinese food. They have intense competition with other people and it is important to retain their customers. restaurants are always a minority and have a target market, it is very important for them to know what things make customers satisfied because customer loyalty is a very important aspect because it creates customer retention because satisfied customers will visit again and to the restaurant. This study will provide insight into restaurants to effectively utilize factors

and gain customer loyalty. Customer loyalty is important factors for the company in this era of business competition as it is today. The importance of customer loyalty to the company is not Undoubtedly, many companies really hope to maintain customers within time that long, even if it might be forever. The business world is always progressing and changes fast, so it requires companies to be able to respond to changes in the changes that occur quickly and precisely. Inability companies respond to competition or market conditions that there be appropriately lowers customer loyalty can lead to even move brand. Without the loyalty of customers, the company will not be well developed, it can even decrease the effort could threaten the existence of the company. Issue important be faced companies today is how the company is appealing customers and retain their loyalty, to continue to survive and growing. Build customer loyalty is not something case. The easy one for done by a process of instant.

Restaurant industry are one of the opportunities to be made an endeavor as long as we can provide something different and delicious in all target segments as well as good service quality. one of the challenges in this business is the service quality provided because there will be many competitors. therefore, the service plays a very strong role because by having a good service quality 31 Pare House Restaurant Medan can gain customer loyalty by they are service. From the background of the story the writer tittle should be. **“The Influence of Service Quality on Customer Loyalty at 31 Pare House Restaurant Medan.”**

## **1.2 Problem Limitation**

This research is conducted at 31 Pare House Restaurant Medan and only limited to employees of 31 Pare House Restaurant Medan which is employee or organizations in order to know and understand of their performance to customer loyalty at 31 Pare House Restaurant Medan. This study was conducted to examine the influence of service quality on customer loyalty.

### **1.3 Problem Formulation**

Based of the background of study, the problem Formulation of this research paper are as follows:

1. What is the influence of service quality on the customer loyalty at 31 Pare House Restaurant Medan needs?
2. How does service quality effect customer loyalty at 31 Pare House Restaurant Medan?
3. How can service quality be improved at 31 Pare House Restaurant Medan?

### **1.4 Objective of The Research**

The objective of this research are:

1. A profound knowledge or understanding would provide a preference to motive behind customer loyalty.
2. To analyze the effectiveness of service quality on customer loyalty in 31 Pare House Restaurant Medan.
3. To analyze the relationship between service quality efforts and customer Loyalty in 31 Pare House Restaurant Medan.
4. To provide recommendations for restaurants in order to increase customer loyalty.
5. To analyze the data collected and draw conclusions from same.

### **1.5 Benefit of The Research**

In this research, the writer willing to this paper can be useful for the readers or the other parties and provide benefits that can be two sides, as follows:

#### **1.5.1 Theoretical Benefit**

1. To know about how service quality in restaurant give much impact for the brand awareness itself.

2. To add insight and knowledge in restaurant industry regarding service quality to customer loyalty.
3. This study can be used for other researcher for future research.

### **1.5.2 Practical Benefit**

1. Benefit for the restaurant:
  - a. To find out and improve the service quality on customer loyalty in 31 Pare House Restaurant Medan.
  - b. Increase the customer loyalty with the service quality provided of employees in 31 Pare House Restaurant Medan.
  - c. To prove the influence of the service quality performance in 31 Pare House Restaurant Medan.

2. Benefit for the researcher:

As an additional knowledge of the performance in service quality running the performance especially by implementing the service quality in the real restaurant industry.

3. Benefit for the reader:

The results of this study are expected to be able to make reference in a straightforward or indirect way to add information and knowledge to readers, especially about service quality and customer loyalty.

## **1.6 System of Writing**

The final paper will consist of five chapters with systems of writing as follows:

### **CHAPTER 1 : INTRODUCTION**

This proposal begins with an abstract and consist of three chapters. The First chapter is containing introduction that explain the background of research which is the influence of service quality on customer loyalty in restaurant industry or hospitality industry. Then this chapter also mentions the problem statement, problem formulation, objectives, and theoretical also practical benefits.

## **CHAPTER 2 :LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

In the second chapter, this proposal explains the definitions, types of service quality and variables that supported by previous research. Then this Chapter also completes with framework of thinking.

## **CHAPTER 3 : RESEARCH METHODOLOGY**

In the third Chapter, this explains the methods used to find out and answer the hypotheses that have been made. Starting from the research design as well as the population and techniques used for this study. The part that ends this chapter is the object of research and data collection method.

## **CHAPTER 4 : DATA ANALYSIS AND DISCUSSION**

In the fourth chapter discusses the data processing such as data analysis which is descriptive statistics, result of testing the quality of data, hypothesis testing and discussion.

## **CHAPTER 5 : CONCLUSION**

This chapter contains the conclusions of the research paper, implication of the research paper, giving recommendation to the company and for future researcher.