

CHAPTER I

INTRODUCTION

1.1 Background of the study

During this time, there are many new businesses which were established and most of the businesses are focused in the food and beverages industry. It can be seen through many cafés and restaurants that have been established especially in Medan. This condition causes the company in this industry has many competitors and they must have competitive edge in order to compete in the market. Some of the businesses will try to differentiate their products and the others will try to deliver the best service in order to maintain their customers and attract a larger number of the new customers. Then, company will ensure that they can make the customers attracted and feel satisfied with their services. When the customers are satisfied with the service, it can lead to the customer loyalty. Customer satisfaction is a term to define the ability of the company in fulfilling customers' expectations. There are so many factors that can contribute to the customer satisfaction such as the quality of the product, fair price, promotion, discount, and the waiting time. All of these factors can be used to create competitive edge for the cafes and restaurants.

There are many start-up companies that have been established currently which indirectly force every company to have competitive advantages in order to compete and survive in the market. Then, the important factor that can also determine the success of the company is customers because without customers,

it will be impossible for the company to keep running well. It is not easy to maintain the customers' loyalty and the main reason why customers become loyal to the company is customer satisfaction.

Many businesses start to realize that to maintain the customer loyalty, they must provide product with high quality and deliver the best service for the customer. Service is an important factor that can help company to grow. According to Parasuraman et al. (1985) which is cited in Al-Haqam & Hamali (2016) defined service quality with three fundamental factors such as intangibility, heterogeneity, and inseparability. Intangibility means that service is like a performance rather than products or objects since it cannot be seen, counted or touch. However, service can be received by the customers and they can decide what is the quality of the service. Heterogeneity means that every service that has been delivered will have a different performance according to the activity. Then, inseparability means that service cannot be separated from the products.

Then, in the journal with the title 'The Influence of Service Quality toward Customer Loyalty: A Case Study At Alfamart Abdurahman Saleh Bandung' which is written by Al-Haqam & Hamali (2016) which cited from Parasuraman et al. (1985) stated that service quality has three basic assumptions. Firstly, service quality is more difficult to be measured than product quality. Secondly, service quality perception is come from the customers' comparison between the actual service that they received from the company and their expectation. Lastly, to measure and identify the service quality, the company must evaluate and analyze

all of the process and result in the service. The cafe must not only focus to serve the good food but they must also pay attention to the service quality.

Customer is an important stakeholder to determine the operation and success of the company because without them, it is impossible for the company to generate the profit. It is challenging to maintain and retain the customer to be loyal for the company since there are many competitors that can attract the customers. Customer satisfaction is to determine how the customer feels towards the company's products or services, whether they feel happy and glad with the experience, service and products that they have received. Customer satisfaction plays an important role in the company for maintaining and improving the loyalty of customers. It also provides a great impact for the long term of the company's growth. According to Dudovskiy (2016), customer satisfaction appeared when the customers compare the perceived performance with their expectations. When the customer satisfies with the company, they will repeat their orders which in the end will increase the company's profit.

Based on the journal of Lahap et al. (2018) that cited from Davis and Heineke (1998) stated that customer satisfaction can be manifested into the customer loyalty which it signifies by the repeating order and repeating visitation from customers. Then, customer satisfaction also can determine the survival of the company because if the company fails to satisfy the customers, it will lead to decreasing of profit.

The Coffee Loca is a new business because it has just been established in less than 3 years. Coffee Loca has established since in early 2018 by Wilson

Houryansa. He saw opportunity in food industry and this fact triggered him to launch cafe in Medan with unique concept. This café has a daily stop by concept which its target market is the workers around Amir Hamzah Street. Initially, Coffee Loca was more focusing on serving coffee because the owner has a great background related with the coffee. However, in order to compete in the market, the café started to provide food in order to support the coffee shop. The menu in this café is mostly Indonesian dishes but it also provides some western dishes. From the author's observation, interview and research with the café's owner, it is found that the café has received complaints from the customers regarding with their service such as long waiting time and sometimes the food does not meet the customers' expectations especially when it is in the peak time. This condition can cause the customers feel dissatisfy with the cafe.

Table 1.1 Number of Complaint at Coffee Loca Amir Hamzah Medan in December 2020

NO	TYPE OF COMPLAINTS	FREQUENCY
1.	Long waiting time	24
2.	Employees did mistakes when taking orders	2
3.	Misscommunication between employees and customers regarding the explanation of the menu	5
Total Complaint in December 2020		31

Source: Coffee Loca Amir Hamzah Medan, 2020

The table shows that the number of complaints regarding about the service at Coffee Loca Amir Hamzah is quite high. As to be explained above, service quality can affect the customers' satisfaction in the cafe or restaurant which in the end can affect their decisions to revisit the cafe or restaurant. The businesses rarely focus in developing this factor which in the end can make the customers do not feel satisfied with the service. Therefore, the author would like to research **“The Influence of Service Quality towards Customer Satisfaction at Coffee Loca Amir Hamzah in Medan.”**

1.2 Problem Limitation

In doing this research, there are several limitations such as for the time, fund, and resources. Therefore, this research only focuses about “The Service Quality” influence towards “Customer Satisfaction” at Coffee Loca Amir Hamzah in Medan. This paper will only focus on the influence of service quality towards customer satisfaction, which are limited only to the service quality for the dine-in, and take away at the Coffee Loca Amir Hamzah. The service quality will be measured by using these indicators such as reliability, physical evidence, responsiveness, empathy, and service guarantee. The customer satisfaction will be measured by using indicators such as customers' intention for repeating order, customer overall feedback, voluntarily customer referral, dimension of customer satisfaction, and analysis of expectation.

1.3 Problem Formulation

Here are the problems that will be discussed in this research paper:

1. How is service quality at Coffee Loca Amir Hamzah in Medan?
2. How is the customer satisfaction at Coffee Loca Amir Hamzah in Medan?
3. What is the influence of service quality towards customer satisfaction at Coffee Loca Amir Hamzah in Medan?

1.4 Research Objective

Here are the objectives of this research paper that the author expects to achieve:

1. To identify the service quality at Coffee Loca Amir Hamzah in Medan.
2. To identify the customer satisfaction at Coffee Loca Amir Hamzah in Medan.
3. To identify the influence of service quality towards customer satisfaction at Coffee Loca Amir Hamzah in Medan.

1.5 Benefit of the Study

1.5.1 Theoretical Benefit

The result from this research is expected to be useful for the readers in order to help them in solving their similar problems. This research paper is also conducted in order to gain much information and knowledge which can be used to develop the “Service Quality” and “Customer Satisfaction” theory. Moreover, the author hopes that through this research, it can give more insights for other researchers to do more research regarding about this topic.

1.5.2 Practical Benefit

1. For Company

The author expects that through this research paper, it might give a helpful insight for the Coffee Loca Amir Hamza in order to help them in improving their service quality by developing the effectiveness of their service process. Then, it is also expected that Coffee Loca can achieve higher customer satisfaction which in the end this will increase the growth and help the business to expand further.

2. For Other Parties/Researchers

The author expects that this paper research can bring new idea, information, insight, and knowledge which can be helpful for the other parties or researchers and even can motivate other researchers to do more research regarding about “the influence of service quality towards customer satisfaction” especially in the food and beverages industry.

3. For Author

The author expects to get more knowledge, information, and experience through this research paper about the influence of service quality towards the customer satisfaction especially in the food and beverages industry. Then, the author also expects that the research can give a helpful insight which can be applied for the real workforce in the future.