

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The economy is a system of producing and exchanging things that can be tangible or intangible for a significant worth. The producing and exchanging of goods and services are done in order to fulfill the necessity of living people. The economy is divided into three main sectors (*Sektor Ekonomi*, 2020). The first sector is the primary sector which comprises farming, mining, and agricultural business activities. The second sector is the secondary sector, which includes the production of tangible goods that take the raw materials made by the primary sector. The third is the tertiary sector which is related to proposing intangible goods and services to consumers.

The tertiary sector, also known as the service sector, is a sector that is increasingly playing a large and important role in many countries, including Indonesia. The important role of the service sector in the economy comes not only from the direct impact of the service sector through its proportion to GDP or labor statistics but also from its role as an intermediate input and an enabler for all economic activity (IvyPanda, 2019).

The broad category of the industry within the service sector is hospitality industry. It especially involves fulfilling customers' needs and handling customer satisfaction. This can be done by resolve problems such as travel arrangements, lodging, and amenities. Hospitality industry can be found almost everywhere you

go in the world and it employs a huge number of people. All Hospitality Sectors include accommodations (hotels, motels, resorts, and serviced apartments), food and beverages (restaurants, catering, bars & cafes, nightclubs, tea and coffee shops), and hospitality-related concerns (travel agents, tour operators, car rental) (REVFINE, 2021).

Restaurant is a general term for a gastronomic establishment that serves dishes to the public and provides a place to enjoy those dishes and sets certain rates for food and services. The development of the restaurant industry is still one of the important sectors in increasing national income. This can be seen from the consistency and the number of new restaurant and hotel openings throughout Indonesia (Sansan, 2018).

However, since the COVID-19 outbreak in Wuhan, China then spread all over the world, the economy started to become weaker and weaker. The economic sector that most affected by COVID-19 is hospitality industry (REVFINE, 2021). Restaurant industry is one of the service sectors examples that has been seriously affected by COVID-19. Not only in Indonesia, but the restaurants in almost all countries affected by the COVID-19 outbreak have also experienced a drastic decline, and some have been forced to close completely.

In order to survive this condition, restaurant owners need to think of a way to keep their customers come back to their restaurant. One of the ways is increasing service quality because service quality can help restaurants to satisfy customers which causes increasing customer loyalty, product and service sales, and business revenue. According to (Tjiptono & Gregorious, 2019, p. 276), “service quality is an

attitude that is formed from the overall evaluation of the company's long-term performance.”

Besides increasing service quality, restaurant can also satisfy customers to make them come back again. By using service quality to satisfy customers can help restaurant to have repeat customers because satisfied customers are likely to purchase the products or services again. According to (Daga, 2017, p. 78), “Customer satisfaction is the response shown by consumers to service or performance (results) received, then consumers will compare the performance (results) with the expectations they want.”

Customers feel satisfied if their expectations are met or will be very satisfied if customers' expectations are exceeded. According to Cronin & Taylor; Anderson, Fornell & Lehman as cited in (Aftab et al., 2016), customer satisfaction has a significant link with service quality.

Most restaurants in Tebing Tinggi can still survive in this pandemic condition. In order to survive for a long term, restaurant owner needs to come up with strategies which can increase service quality and give best customer satisfaction.

One of the restaurants that can still survive in this pandemic condition is Ray Coffee Shop. Ray Coffee Shop is a restaurant that was established in 2014 in Tebing Tinggi, North Sumatera. It provides a lot of food menu start from noodles, fried rice, toast, pasta, and many more with good service quality. This restaurant is one of the restaurants that has quite a good rating among restaurants Tebing Tinggi.

The researcher chooses Ray Coffee Shop Tebing Tinggi because it is the most popular and suitable place for people to gather and chill. Even though it is popular and has a high rating, it also has bad reviews on Google Review, which cause researcher in interested in conducting a study on Ray Coffee Shop Tebing Tinggi.

Below are the overall ratings of Ray Coffee Shop, Tebing Tinggi that were taken from Google Review:

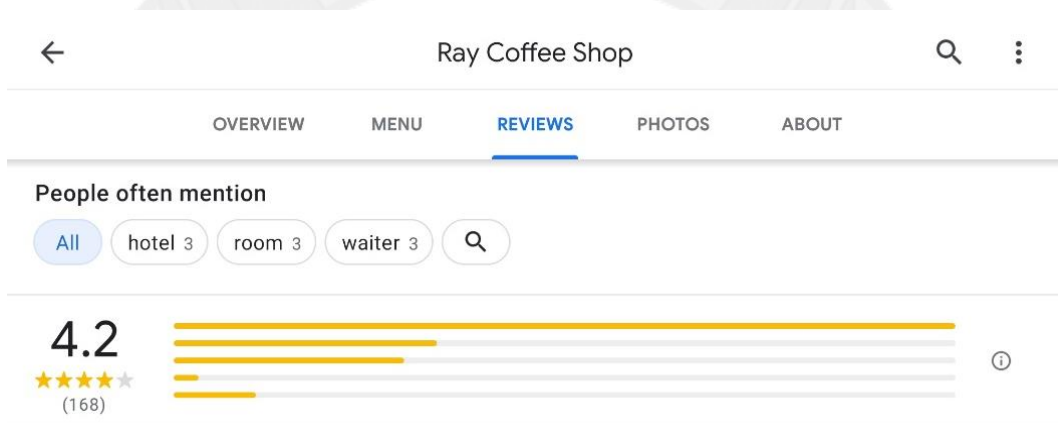


Figure 1.1 Overall Rating of Ray Coffee Shop Tebing Tinggi

Source: Google Review (2021)

From the overall rating, the latest 100 ratings are taken from Google Review in the last two years where COVID-19 began to spread throughout the world, the data obtained is as follows:

Rating	Total	Percentage
1 star	6	6%
2 stars	3	3%
3 stars	16	16%
4 stars	22	22%
5 stars	53	53%
Total	100	100%

Figure 1.2 Latest Rating of Ray Coffee Shop Tebing Tinggi

Source: Google Review (2021)

From Figure 1.2, it can be seen that 25 customers gave Ray Coffee Shop a one to three-star rating. This means that 25 of 100 customers who came to Ray Coffee Shop were dissatisfied with the service or performance (result) received because it did not fulfill their expectation. From 100 ratings, some of the customers put their review about Ray Coffee Shop. The reviews consist of good reviews and bad reviews. The reviews can be seen from the figures below

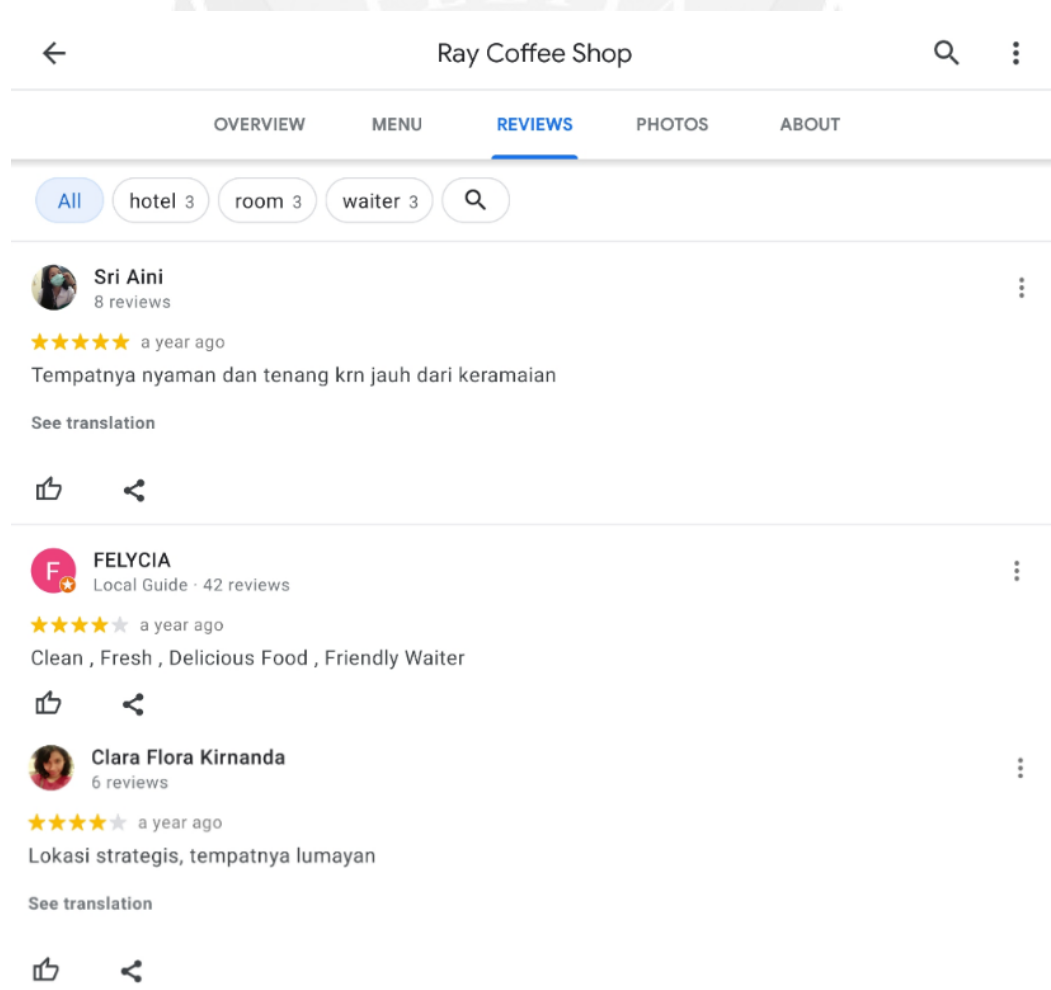


Figure 1.3 Good Review of Ray Coffee Shop Tebing Tinggi
Source: Google Review (2021)

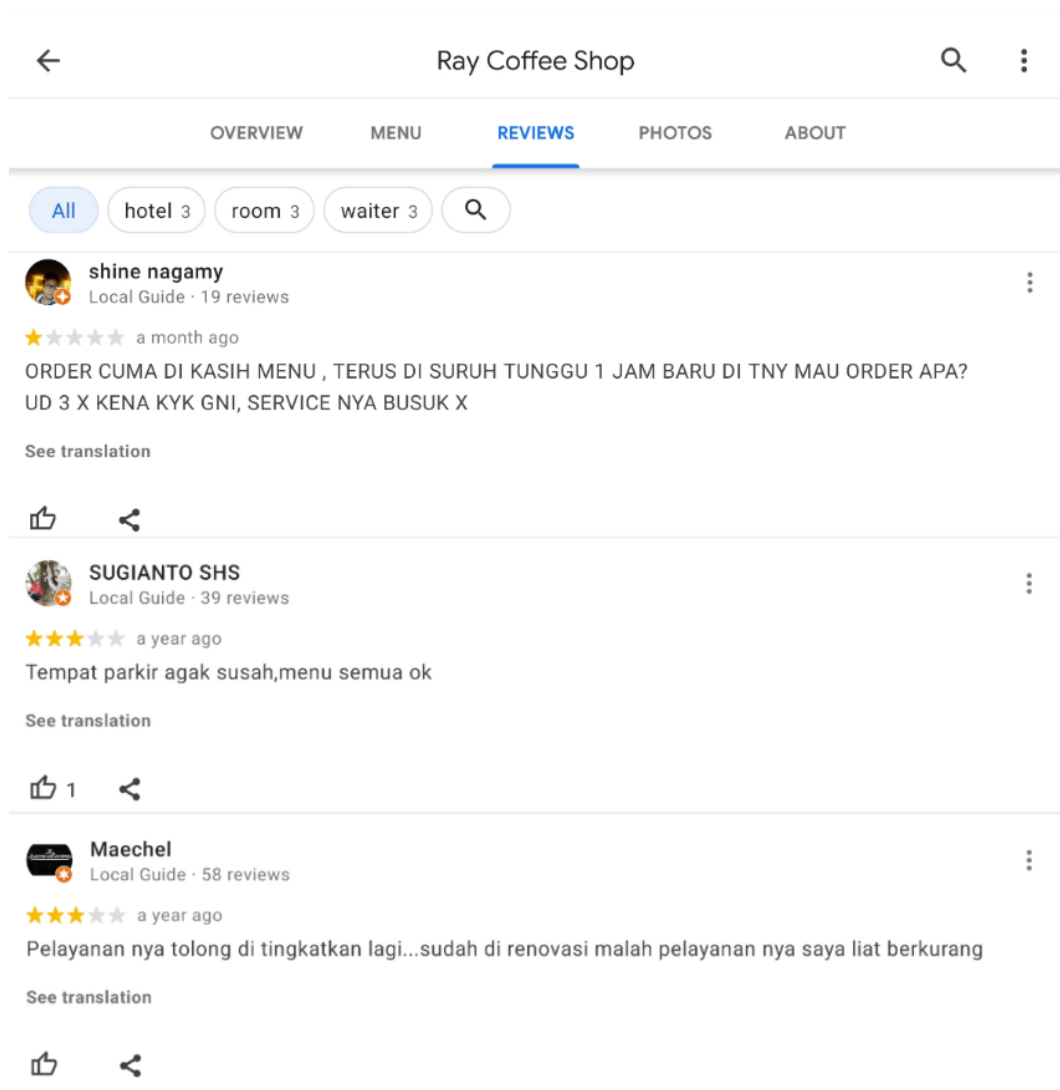


Figure 1.4 Rating of Ray Coffee Shop Tebing Tinggi

Source: Google Review (2021)

Overall, Ray Coffee Shop Tebing Tinggi has a high rating with some good reviews about their service quality on Google Review. This can be considered that most of the customers are satisfied with their choice to eat in Ray Coffee Shop Tebing Tinggi. However, Ray Coffee Shop Tebing Tinggi also has some bad reviews. It can be seen from Figure 1.4 that the customers are disappointed with restaurant service which does not meet the indicators of good service quality, namely responsiveness and tangibles.

The competitor of Ray Coffee Shop is an Indian Restaurant. The Indian Restaurant is located closed to Ray Coffee Shop and the restaurant existed long before Ray Coffee Shop was established. In Google Review, the rating of the Indian Restaurant is higher than the rating of Ray Coffee Shop. The rating of the Indian Restaurant can be seen in Figure 1.5 below.

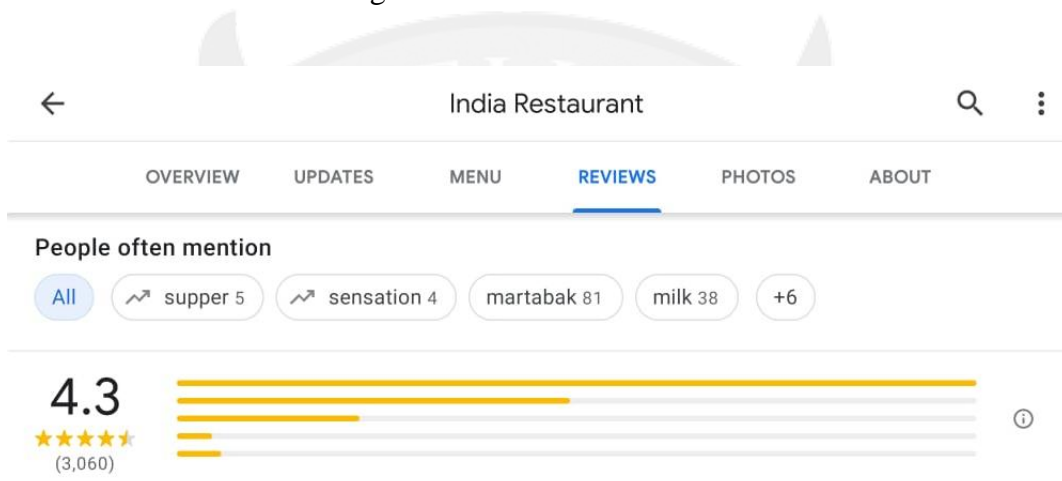


Figure 1.5 Overall Rating of India Restaurant Tebing Tinggi

Source: Google Review (2021)

Rating	Total	Percentage
1 star	0	0%
2 stars	0	0%
3 stars	6	6%
4 stars	28	28%
5 stars	66	66%
Total	100	100%

Figure 1.6 Latest Rating of India Restaurant Tebing Tinggi

Source: Google Review (2021)

The Figure 1.6 above is the latest rating of 100 customers toward the Indian Restaurant in Google Review. It shows that almost all of the customers feel really satisfied. Compared to Ray Coffee Shop, the Indian Restaurant has a higher level of satisfaction where only 6 people feel normal about the Indian Restaurant and give a 3 star rating.

Due to the description above, the researcher wants to help to increase customer satisfaction at Ray Coffee Shop Tebing Tinggi and decides to do a research with the title "The Influence of Service Quality towards Customer Satisfaction in Ray Coffee Shop, Tebing Tinggi"

1.2 Problem Limitation

For the problem limitation, the researcher focuses on two variables which are service quality and customer satisfaction. The researcher will focus on service quality using the theory developed by Parasuraman, Zeithaml, and Berry in (Tjiptono & Gregorius, 2019), the SERVQUAL model, in which the indicators of service quality are reliability, responsiveness, assurance, empathy, and tangibles. As for customer satisfaction, the researcher will use Kotler's theory in (Daga, 2017), in which the indicators of customer satisfaction are re-purchase, creating Word-of-Mouth, creating a brand image, and creating purchasing decisions at the same company.

1.3 Problem Formulation

Based on the background of the study, the problem formulation has the purposes to explain and examine the service quality to enhance customer satisfaction at Ray Coffee Shop, Tebing Tinggi. For that reason, this research tries to answer the following questions:

1. How is the service quality in Ray Coffee Shop, Tebing Tinggi?
2. How is the customer satisfaction in Ray Coffee Shop, Tebing Tinggi?

3. Is there any influence of service quality on customer satisfaction in Ray Coffee Shop, Tebing Tinggi?

1.4 Objective of the Research

The purpose of the research that the author wants to attain is to find out about:

1. The service quality in Ray Coffee Shop, Tebing Tinggi
2. The customer satisfaction in Ray Coffee Shop, Tebing Tinggi
3. The influence of service quality towards customer satisfaction in Ray coffee Shop, Tebing Tinggi.

1.5 Benefit of the Research

The benefit of conducting this research are:

1.5.1 Theoretical Benefit

1. For Readers

The result of this study can be used to add knowledge about service quality and customer satisfaction of a company.

2. For Other Researchers

This result of this study can be used as a reference for researchers who are researching service quality and customer satisfaction.

1.5.2 Practical Benefit

1. For Company

The researcher hopes that the results of this study can benefit the company and can help the company to improve its service quality and customer satisfaction.

2. For Future Researchers

Hopefully, this research will be useful for the other researchers who are interested in doing research using the same variables.

