

CHAPTER I

INTRODUCTION

1.1. Background of The Study

Progress of worldwide business development has now increased yearly. One of the fast growing businesses is tourism industry. Development of tourism industry has proven capable to provide a positive impact on major changes of life. Tourism economically has an impact on expansion business and job opportunity as well as on increasing foreign exchange. One of the means tourism is a hotel.

According to Hermawan in Krestanto (2019) "Hotel is an industry or service business that is managed commercially. It is a type of accommodation, provides accommodation, food and beverage services and it is managed commercially for profit". Hotel industry has become the most good image directed to customer satisfaction and recognized industry all the worldwide. Unfavorable services of hotel leads to dissatisfaction. Service quality for hotel industry is an important aspect, so companies strive to attain a maximum customer satisfaction by providing customers with quality services.

Hotel is business accommodation services in which there are elements of service, comfort, and lodging facilities needed for those who want lodging facilities for family and leisure purposes. The hospitality business does just that depending on the level of tourist visits, but also influenced by convention activities and meetings conducted by other institutions affect the level of room sales in the hotel business. Sales these rooms trigger competition between hotels.

Business people in this case, those engaged in the hospitality sector are required to act more creative in attracting customers, namely by developing and improve service quality.

Any hotel is very dependent on customers. Hospitality companies must be aware of the fact that customers do not care and do not want to know about the problems within the hotel company. What they think is that what they need must be met and the customer also does not want to know whether the hotel employee should work hard or not. To keep customers happy and not get into trouble and even keep in satisfy any hotel has to know how to please customers. One of them is by considering what other people (customers) think or responding to customer complaints. So automatically customers will feel satisfy with the service provided by the hotel.

Medanis a provincial capital that has become a center of trade and business, mobility and even development of science.High-technology and Information has made many changes and created increasingly sharp business competition. It is marked by establishment of new businesses engaged in services. Competition is a significantly determining factor for success or failure of a company.

As a center of trade and business, Medan also has been progress by hotel industry. There are many famous hotels found in Medan as a part of hotel industry by combining hospitality products and services. The design of the building, the interior, the exterior, the atmosphere that is created in the hotel and the restaurant, food, beverages and all existing facilities are examples of products being sold.

While the services sold are the hospitality and skills of hotel staff/employees in serving customers.

One of the famous hotels in Medan is Garuda Plaza Hotel Medan located at Jalan Sisingamangaraja No.18 Medan. In accordance with the decree of the Minister of Tourism, Post and Telecommunications No. KM.94HK.103MPPT-87 and the decision of the Directorate General of Tourism No. 14V88, Garuda Plaza Hotel Medan had been classified into a three-stars hotel. Initially, Garuda Plaza Hotel Medan was a hostel founded by Mr. Muhammad Arbie as the Board of Directors of Firma Maju in 1958 under the name "Losmen Garuda".

Many factors influencing on the success of Garuda Plaza Medan particularly customer satisfaction. Customer satisfaction is one of the important elements that significantly determines the success of any company in dealing with an increasingly domestic and global competition. It is a response by which some alternatives are chosen at least equal to or exceed than the expectation of customer, while dissatisfaction arises if the results do not meet the expectation of any customer. In other words, customer satisfaction is a level of state of one's feelings which is the result of a comparison between the assessment of performance / end product related to expectation of any customer.

In hospitality sector, customer satisfaction also plays an extremely important role. Hotel as a commercial establishment providing lodging and usually meals and other services for the public, especially for travels. Customer satisfaction in hospitality makes an important contribution to a number of aspects such as creating customer loyalty, improving company reputation, reducing price

elasticity, decreasing future transaction costs and increasing employee efficiency and productivity. One of the main ways to differentiate a service company is to consistently provide higher quality services than competitors.

Customer satisfaction is a response of customer to any discrepancy between the previous level of importance and the actual one that he feels after use. One of the factors of determining satisfaction is service quality. It is a main aspect of organizing a company that should be maintained and improved to keep any customers out to other companies. Customer satisfaction is often used as an indicator of whether customers will return to a hotel or destination. While there is no guarantee of a satisfied customer will repeat to visit, however, it is nearly certain that any dissatisfied customer will not return.

Tjiptono & Chandra (2016:204) describes a satisfaction as “the good feeling that you have when you achieved something or when something that you wanted to happen does happen”; “the act of fulfilling a need or desire”; and “an acceptable way of dealing with a complaint, a debt, an even injury, and so forth”.

There are many factors influencing on customer satisfaction. Kotler and Keller (2016:67) explained that “one of the factors that affect customer satisfaction is service quality. Service quality is a form of consumer assessment of the perceived service level with the expected service level. Service quality will be produced by the operations carried out by the company and the success of the company's operations is determined by many factors including employees, technology, systems, and consumer involvement, as well as how much each of these factors contributes to the quality of services created. Therefore, service

quality of a company has to be able to satisfy what the customer wants or needs by using products and services. It refers to level of service perfection in meeting any need and demand of consumers”.

Service quality also has effect on customer satisfaction. Banquet section is a part of a hotel covered by Food and Beverage Department related to various matters of business conference such as the arrangement of meeting rooms, standard meeting equipment and others. Therefore, it can be said that the banquet section provides services to those who hold various meetings at a hotel. It is not limited to the arrangement of meeting rooms but also setting up rooms for other events such as birthdays, weddings, lunches, dinners, graduations, table manner courses and so on.

Service quality is a term used to include activities service of special ceremonies within the service company. Service quality is a meal guarantee service officially for a group of people (10 people in minimum) accompanied by ceremony which have been determined in advance regarding: dish; the number of guest and time and event held.

Goodman Raymond in Kusuma (2015:2) stated that, “Banquet is a service performed simultaneously where all guests are served at the same time. All arrangements, menus, drinks, and timings should be carefully scheduled before the actual event. Banquet is a means that is not much different from the restaurant both equipment, equipment, and servings are served, only the banquet does not provide permanent dishes such as restaurants, but rather held after the booking party that will hold various forms of banquets”.

Service quality activities includes several kinds of event, such as: lunch, cocktail party; wedding reception and dinner and more. Events that held at a banquet are parties weddings, birthdays, seminars and meetings. In other words, function of service quality in the form of provide food, utensils, and arrangement of tables/ chairs as well as providing a place/ room to suit the event which is held. Guests who organize events or those who are invited can feel comfortable, and may receive good service while at the hotel.

The customers of hotel usually use a variety of criteria in choosing lodging places by which management is significantly required to always strive to improve service and carry out continuous innovation. For that hotels need to do research to evaluate what consumers want in terms of the quality of services provided to consumers.

It is similar to Garuda Plaza Hotel Medan. In order to stay survive in intense competition condition, Garuda Plaza Hotel competed significantly to offer more value that could attract the interest of consumers. Viewed in terms of service quality, Garuda Plaza Hotel Medan is one of the best hotels selected by many customers in Medan. It also provides various ornament equipment and facilities to support the comfort of local and foreign guests.

Several studies on the effect of service on customer satisfaction have been conducted. Hariyanto (2016) examined how the influence of service quality on customer satisfaction and concluded that service quality affects visitor satisfaction of the Situ Patenggang tourism object park by 47.9%, while the rest, namely 52.1%, is influenced by other variables not examined in this study. Based on the

results of research conducted at the Situ Patenggang tourism object park, it can be seen from the categorization of the score and the average value in the statistical results of the research data regarding the quality of service to the Situ Patenggang tourism object park as a whole is categorized as quite good, with a percentage of 52.1% being at The score range is 4069. Meanwhile, based on the categorization of scores and the average value of the statistical results of the research on visitor satisfaction to the Situ Patenggang tourism object park, as a whole it is categorized as bad, with a percentage of 52% in the 2080 score range. visit, if the quality of service is good, there will be a sense of comfort and satisfaction from tourists on their visit.

Ndaru Prasastono, Ema Rahmawati and Sri Yulianto (2020), “Analysis Quality Banquet Section of Customer Satisfaction In The Wujil Resort and Convention Ungaran. The sample of this research is 40 customers of The Wujil Resort and Convention Ungaran. The variables used in this study are reliability (X1), tangible (X2), responsiveness (X3), assurance (X4), empathy (X5) and customer satisfaction (Y). The research result stated that customer satisfied with the service quality provided in the Wujil Resort and Convention Ungaran.

Nova Syafrina and Syaiful Akbar (2016:9), “The Effect of Service quality Quality of Customer satisfaction in Labersa Grand Hotel & Convention Centre Siak Hulu Kampar”. The sample of this research is 93 customer of Labersa Grand Hotel Convention Centre Siak Hulu Kampar. The variables used are service quality (X) and customer satisfaction (Y). The result of the study stated that

service quality quality has significant effect on customer satisfaction in Libersa Grand Hotel and Convention Centre Siak Hulu Kampar.

This study is different from previous research, namely the object of research in Pekanbaru, Riau and the concentration of the title, namely this research on service quality to customer satisfaction at Garuda Plaza Hotel Medan. This study is important to do to determine customer responses about the effect of service quality on customer satisfaction. Besides that, it also gives a little idea to the management that providing customer satisfaction is very important to be fulfilled. Therefore, this study raises the theme of service quality on customer satisfaction, which is expected to be able to provide knowledge to service providers who provide services to customers.

Based on the background of the study, the researcher is interested to carry out a study entitled **“THE Effect of Service Quality on Customer Satisfaction at the Garuda Plaza Hotel Medan”**.

1.2. Problem Limitation

This study shows how service quality improve the reliability and responsiveness of employees when serving customers can affect customer satisfaction at Garuda Plaza Hotel Medan. According to the research title, the problem limitation in this study only includes service quality and customer satisfaction. The sample of the study is limited respondents customers who are customers of the Garuda Plaza Hotel Medan.

1.3.Problem Formulation

Based on the background above, the researcher formulate the problem of the study as follows, “Does service quality (X) affect customer satisfaction (Y) at Garuda Plaza Hotel Medan?”.

1.4.Objective of the Study

Based on the problem formulation, the purpose of the study is to analyze quantitatively the effect of service quality (X) on customer satisfaction (Y) at Garuda Plaza Hotel Medan”.

1.5. Benefit of the Study

From the research conducted, obtained various benefits expected to be useful for various parties, namely:

1. Theoretical Benefit

The result of this study is expected to be able of providing as well as increasing in knowledge and insight for improving of hospitality management science, especially related to service quality to customer satisfaction.

2. Practical Benefit

a. For writers of next study

The result of the study is expected to increase in knowledge and experience in applying theory obtained from the lecture bench with the real world of work, knowing more about service quality to customer satisfaction.

b. For Garuda Plaza Medan

The result of the study is expected to give a solution Garuda Plaza Medan regarding the problems that occur and become a solution to making a decision of new policies for improving the customer satisfaction especially by service quality.

c. For Universitas Pelita Harapan Medan.

The result of the study is expected to increase and enhance additional references in order to be used for further research.

1.6. Systematical Writing

As a whole, the present study consists of five main chapters in which each chapter has some individual sub-chapters that can be explained in detail as follows ;

The first Chapter as an introduction consists of background of the study, limitation of the problem, formulation of the problem, the objectives of the study, benefit of the study and systematical writing.

Chapter II as a literature review and hypothesis development consists of theoretical background, previous research, hypothesis development, model of research, and framework of thinking.

Chapter III as a methodology of research consists of design of the study, population and sample, data collection method, operational definition of variables and measurement and method of data analysis.

Chapter IV as a data analysis and discussion involves general view of the object of the study, data analysis consisting of descriptive analysis, result of data quality test and result of hypothesis test and finally discussion

Chapter V as a concluding chapter involves conclusion and implication of the study at Garuda Plaza Medan.

