

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Service quality and customers satisfaction are two main key issues that are very entrepreneurs are facing nowadays. In today's environment it is highly important to deliver a high quality of services as it will translate to high level of satisfaction. This will show a highly good indicator that company needs to have a good service strategy. For, customer satisfactions serves as a base of the customers' loyalty and it will deliver a very strong service quality. The behaviour of people who would repurchase because of their satisfaction will be the key to increase the income of the company. So, the issue of customer satisfaction and service standard are highly important especially in service industry and in that condition, every company has to escalate both features.

The benefit and financial success of a service sector is dependent on its quality of service. The relationship between the standard of service and benefit is still unclear. Both customer satisfaction and customer loyalty retention are difficult. Both the standard of service and satisfaction are two separate but interconnected terms. The idea that profits can be maximized and reduced with the fluctuation in the degree of customer satisfaction is a fundamental fact for the service sector. For that cause, customer loyalty is often defined by service experts as the key factor in business success. The aim of this research is to investigate the effects on consumer loyalty of service quality.

Kotler (2015), customer service is a basic element in the financial institution to contend in the market driven condition. Leading to services' intangibility in nature, calculating service efficiency is not an easy task in banking. Nowadays, service quality is used by numerous industry participants as a critical device to place them adequately in the market. In comparison, a happy customer is likely to remain a repeat customer. Keeping existing consumers is fundamentally cheaper than the cost of attracting potential customers by enhancing goods and services. Customer happiness and loyalty are profit-driven tools of banking because of the value of service efficiency. To gain customer happiness and loyalty, and various other attractive behavioral outcomes, the delivery of high service quality is an absolute requirement. It is the degree of the effect of quality of service on customer retention and loyalty to consumers. It describes the relationship between service quality and consumer satisfaction and customer engagement while analyzing the elements that affect service quality.

The central factor of any organization is consumers. The customer is the deciding factor in the life of a company. The company's revenue comes from clients. The more clients, the more sales resource are received, according to Ajmal (2018). The more regular transactions, the more revenue-increasing opportunities are open. One essential aspect that the organization must remember is customer loyalty, since the customer is the reason that a company exists and without it the company cannot survive. Businesses are increasingly aware of the importance of satisfying customers. From here, companies are increasingly competing to provide benefits of products and services that are in accordance with consumer needs. If the

benefits provided exceed consumer expectations, consumers will feel satisfied, otherwise if less than expectations, they will be disappointed. With a high level of satisfaction will further increase consumer loyalty. Older customers can be retained and more often make repeat purchases. There is an effect of service quality factors in customer satisfaction.

The problem of customer satisfaction at Ria Restaurant Medan about customer satisfaction decreased. This has an impact on the decline in revenue of Ria Restaurant Medan. Customer dissatisfaction results in complaints from customers to the Ria Restaurant Medan. Customers submit complaints to Ria Restaurant which are submitted with a suggestion box and social media such as Instagram or via email that has been provided. Some complaints from customers to Ria Restaurant Medan related to services that have not been optimal for customers, the food served has not been interesting and quite long.

Table 1.1
Ria Restaurant Medan's Income Data
2016 - 2019

Year	Total Sales
2016	Rp 9.389.410.000
2017	Rp 8.674.337.000
2018	Rp 6.808.169.000
2019	Rp 5.669.054.000

Source: Ria Restaurant Medan, 2020

The problems in service quality, the services of Ria Restaurant Medan have not met the expectations of the customers so that they have not been able to encourage the satisfaction felt by the customers. Based on observations from personal authors, it was found that there was a decrease in the number of visitors

who were increasingly quiet every year, both from private guests and guests for events at wedding receptions that often existed at that time. The phenomenon of service at Ria Restaurant Medan is the inability of customers to provide services that provide more complete and detailed information on the food offered to customers, inaccuracies in the services provided to customers in terms of serving food or drinks ordered or additional orders from customers. Service information from the servants also sometimes does not correspond to reality so that makes customers complain because of misinformation. Often the service is getting slower due to lack of energy in service on holidays. This has triggered a decrease in Ria Restaurant Medan's customer satisfaction.

From the description that has been there before, it encourages researchers to discuss in the thesis under the title "The Effect of Service Quality towards Guest Satisfaction at Ria Restaurant Medan."

I.2 Problem Limitation

The problem limitation in this research only addresses the variables of Service Quality towards Guest Satisfaction at Ria Restaurant Medan. This research was conducted at Ria Restaurant Medan.

I.3 Problem Formulation

From the background study above, the author formulates the problems below:

1. How is the condition of service quality at Ria Restaurant Medan?
2. How is the condition of guest satisfaction at Ria Restaurant Medan?

3. Is there any effect of service quality towards Guest Satisfaction at Ria Restaurant Medan?

I.4 Objective of the Research

The objectives of the research are as follows:

1. To find out the condition of Service Quality at Ria Restaurant Medan.
2. To find out how is the condition of Guest Satisfaction at Ria Restaurant Medan.
3. To find out how the effect of Service Quality toward Guest Satisfaction at Ria Restaurant Medan.

I.5 Benefit of Research

1. Theoretical Benefit

It covers the practical aspect and uses of theoretical study. The research on the management can help student to have better understanding the problem that the company is facing and this information might solve the company's problem and allow researchers to achieve their academic mission.

2. Practical Benefit

- a. Writer

The research can help the writer understand the further theories that are taught in university and the reality in the working environment.

- b. Company

This research can be a successful aid for to the company to improve Guest Satisfaction at Ria Restaurant Medan and reach their potential growth.

c. Future Researchers

This research can be used as reference to gain the related information and help in difficulties for the next research that is related with the research topic.

