

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Companies such as restaurant, fast-food, catering, and café, food and beverage is the biggest component of the hospitality sector. Because of the growth of creativity and invention on a regular basis, this sector has become very competitive. This business is no longer simply a need; it has evolved into a way of life. To thrive in this market, a company must understand how to meet the requirements of its customers. By doing so, the business may increase customer satisfaction by emphasizing positive encounters and minimizing negative ones.

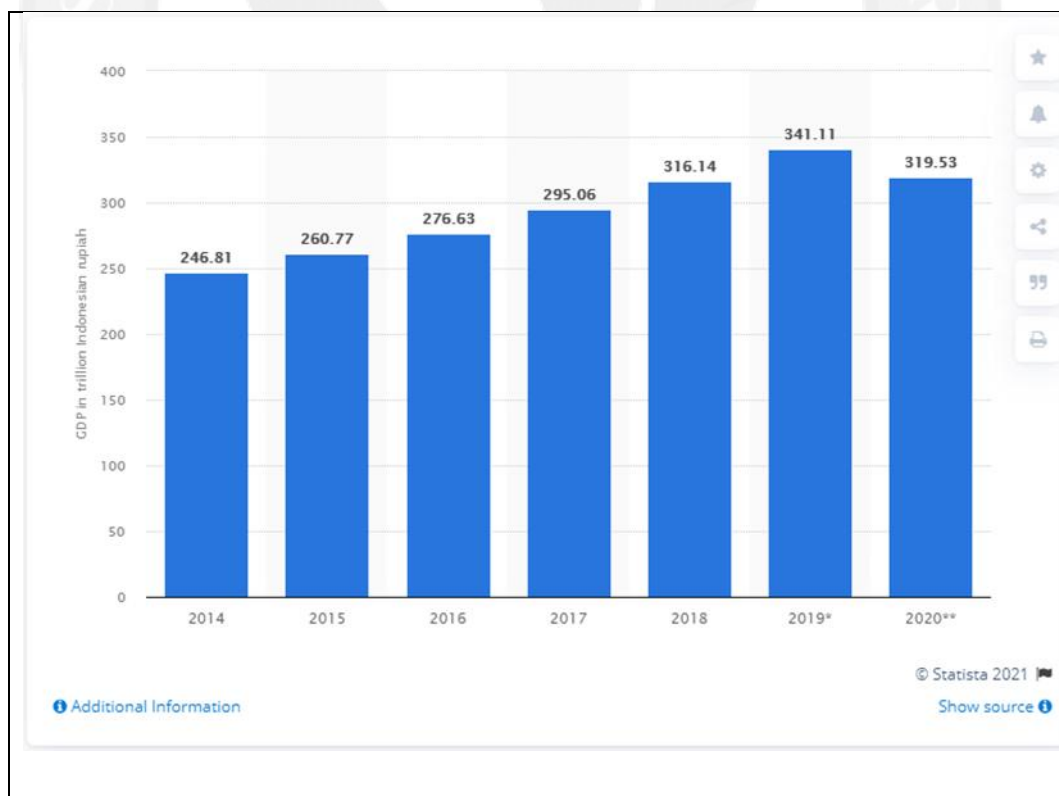


Figure 1. 1 Food and Beverages Growth in Indonesia
Source: Statista.com

In Indonesia, opening food and beverage business can be said as one of the most promising business. This business is support because Indonesia have 271.349.889 of population and it's 3.47% of the world population while food and beverages is the basic need of humans. Food and beverage product has a wide range of benefits in Indonesia, it can be ascertained that it has a wide market share as well. Indonesia food and beverages GDP always increase from year to year, the data above show that 2016 year Indonesia food and beverages GDP is 276.63 and increase to 295.06 in 2017. From 2017 to 2018 the food and beverage GDP in Indonesia still increase until 316.14 and 2019 the GDP was in the value of 341.11. But the data show that 2019 to 2020 GDP is decrease to 319.53. This is the effect of covid-19 because business that are running in food and beverages must limit their dine in space. From the data that is provide above, it can be seen that food and beverage business always grow well especially from 2014-2019. There will also be a great possibility if there's no pandemic, food and beverages business in Indonesia will grow.

Since this research is taking place at Medan City, writer will include the development data on the number of food and beverages by district in Medan City from 2016-2020 below:

Table 1. 1 Development data on the number of food and beverages business in Medan City District from 2016-2020

Number	Subdistrict	2016	2017	2018	2019	2020
1	Medan Tuntungan	10	10	10	19	16
2	Medan Johor	27	28	26	36	29
3	Medan Amplas	17	17	16	23	18
4	Medan Denai	13	13	8	18	9
5	Medan Area	50	50	51	64	78
6	Medan Kota	25	116	155	147	178

7	Medan Maimun	81	88	80	107	129
8	Medan Polonia	115	118	117	82	76
9	Medan Baru	65	69	79	81	93
10	Medan Selayang	70	70	64	68	82
11	Medan Helvetia	31	31	36	47	56
12	Medan Barat	73	79	102	86	104
13	Medan Petisah	160	165	210	195	223
14	Medan Sunggal	64	66	62	79	51
15	Medan Timur	55	55	64	68	82
16	Medan Perjuangan	12	12	12	44	62
17	Medan Tembung	13	14	16	28	19
18	Medan Deli	9	9	6	14	8
19	Medan Labuhan	1	1	4	6	4
20	Medan Marelan	10	10	15	21	12
21	Medan Belawan	6	7	8	14	6
Total		907	1028	1141	1274	1335

Source: Medan Tourism Authority (2021)

The table above shows the total number of food and beverage businesses in Medan City starting from 2016-2020. It can be seen that people who run businesses on food and beverages always increase their purchases. From 2016 to 2017, the total increased from 907 to 1028, which means there were 121 restaurants added in 2017. From 2017 to 2018, the restaurant and cafe industries were still increasing, which is from 1028 to 1141. This means that there were 113 restaurants and cafes added in 2018. From 2018 to 2019, the restaurant and cafe industries grew by 124%, which means 113 restaurants and cafes were added in 2019. And from 2019 to 2020, the restaurant and cafe industries still increased from 1274 to 1335. This means that Medan City gain 61 new restaurants by 2020.

Nowadays, many individuals want to establish a company in a café or restaurant. People are becoming perplexed as to which restaurant offers high-quality cuisine to enjoy now that so many have opened. Food quality is essential at a restaurant or café since there are many rivals attempting to develop distinct,

original, and diverse meals in order to attract customers. While concentrating on design and appearance, some businesses overlook food quality. When a person visits a restaurant or a café, it indicates that he or she wants to have a pleasant experience in order to return. The company must offer high-quality cuisine that meets the requirements of its customers.

According to Hanaysha (2016), food quality has a significant impact on consumer loyalty and brand image. In other words, excellent food quality is an important marketing strategy that can be used to please and keep consumers while also ensuring a pleasant purchasing experience. A poor quality may put a business in an awkward situation. When a customer is not satisfied with the quality of a product or service, he or she is unlikely to purchase it again. As a result, client happiness is a key element in determining a company's success. Other than food quality, there are also service quality that able to influence customers satisfaction. According to Indahingwati (2017), quality of service is an advantage held by a service that can only be appreciated by consumers. Service quality has a significant effect on customer happiness; without excellent service quality in the culinary industry, consumers will not be satisfied, resulting in bad consequences for restaurants. The customer is the only cause for a company's existence and development. Because of this, client happiness is a key concern for the business. While according to Al-Ababneh (2017), service quality is essentially subjective since it is determined by the customer's expectations, requirements, and perceptions, and it is influenced by the customer's experiences and views of the services they have received. As a result, maintaining consistent company success

requires a high level of service quality in the restaurant or café industry. Service quality offers excellent possibilities for a restaurant or café to differentiate itself from rivals. When establishing the idea of service quality, the process always begins with the consumer, since quality is the most important element for customers and also serves as the foundation of their view. Excellent service quality will result in more happy and pleased customers which will benefit the restaurant or café's brand image and brand awareness. Furthermore, the food quality and service quality will have an influence on customers' satisfaction at food and beverages business. According to Joudeh and Dandis (2018), customer satisfaction refers to the reflection of customer emotions and consumer expectations, which are the internal feelings of the customers that result in contentment or discontent with the services given to them. Every restaurant or café will continue to enhance their services in order to guarantee that its clients are pleased and satisfied with the services they get. In order to attain a better degree of customer satisfaction, it is also necessary to identify and anticipate the requirements of the client. High customer satisfaction tends to result in favorable word-of-mouth marketing for the restaurant's or café's products and services, influencing more people to enjoy and experience the kind of services that they have always desired. Later on, it will result in more new consumers visiting the restaurant or cafés, as well as increased client loyalty, retention, and growth.

The object of this research is Smart Folks Coffee Cambridge, Medan. This company is running their business on selling Food and Beverages. The company was founded in 2019 by Mr. Faqih Surbakti and is located at Jln. S Parman, No.259

Medan. This business have been runnng for 2 years and now the business also grows and expand in Medan and Jakarta. This Caf e’s decoration is very unique and different compared with other caf e because they focus on today’s lifestyle. Every caf e place certainly got some downside. Based on the interview with the owner, the cafe are receiving a lot’s of complaints due to their food, service, and cafe environment. The owner explained some complaints from January 2021-June 2021 which will be listed below:

Table 1. 2 Customers Feedback Review (January 2021-June 2021)

Month	Reason
January	<ul style="list-style-type: none"> - Enviroments dirty - Tasteless food - Food is not hygenic - Food is cold - Food taking a long time to be served in table - Employees seems unhappy when serving customers - Employees unable to fulfill customers needs
Febuary	<ul style="list-style-type: none"> - Tasteless food - Food is cold - Employees slow responded - Facilities are dirty - Music is too loud - Employees seems unhappy when serving customers
March	<ul style="list-style-type: none"> - Cafe is too dark - Music too loud - Food is cold - Employees abandon customers - Tasteless food - Employees slow resonded
April	<ul style="list-style-type: none"> - Dirty utensils - Food is cold - Poor dining area management - Music is too noisy - Employees abandon customers - Tasteless food - Food already cold - Long wait for seating
May	<ul style="list-style-type: none"> - Food is cold - Employees not able to responded customers well - Tasteless food - Dirty utensils - Employees seems unhappy when serving customers. - Employees abandon customers - Waiting to long to be served - Food taking a long time to be served in table

June	<ul style="list-style-type: none"> - Tasteless food - Unhappy customers - Dirty table, seat and environment - Music is too loud - Employees abandon customers - Employees unable to respond to customers well - Waiting too long to be served - Food is cold
------	--

Source: Smart Folks Coffee Cambridge, Medan

Based on the customers feedback form that writer collect from Smart Folks Coffee Cambridge, Medan. There are a many factors that cause customers are not satisfied, but the mainly things is because the café does not meet the customers expectation. This is due to the customers complaints about their enviroments are not clean enough like the tables are still oily and the café floors are dirty. Also, customers tends to complaint about their Standard Operation Procedure (SOP) problem, this SOP problem is from the food and service quality. About food quality, some customers mention that the food is tasteless, some mention the food is cold when it is served while other customers mention that the food is not hygenic because there is hair inside the customers food. From service quality side, lots of customers often complain that their employees are not happy when serving the customers. Most of the feedback results show that customers have to wait 10 minutes for employees to take their order. This problem often happens when the café is to crowded and causes the food and beverages took so long to be served for the customer. Usually, the food and beverage only took 15 minutes to be served but the customers have to wait more than 30 minutes for their food and beverages. Smart Folks Coffee's service quality has not been properly and maximum applied to customers. All of these lead to numerous consumer complaints, start with the service that is not reponsive, slow in serving food to the customers and the lack of

employees during holiday and weekend that cause the employees overwhelmed with the customers.

Due to the limited of time, out of many factors, writer will only focused on two main variables which is Food Quality and Service Quality. The writer also realized that Food Quality and Service Quality influence the dependent variable known as Customers Satisfaction. This research will focused on Smart Folks Coffee Cambridge in Medan. Having realized that the are problem due to their food quality and service quality and influence into customers satisfied, the writer is interested to conduct a research with the title of "**The Influence of Food Quality and Service Quality Towards Customers Satisfaction at Smart Folks Coffee Cambridge, Medan**"

1.2 Problem Limitation

Based on the background and problems that have been described, the problems to be discussed are as follow:

1. The research object is limited to Smart Folks Coffee Cambridge, Medan.
2. This research uses three independent variables, which are Food Quality (FQ) and Service Quality (SQ), along with one dependent variable which is Customers Satisfaction (CS).
3. Food Quality (FQ) variable is using the indicator of freshness, food presentation, well-cooked, various type of food.
4. Service Quality (SQ) variable is using the indicator of tangibles, reliability, responsiveness, assurance, empathy.

5. Customers Satisfaction (CS) is using the indicator of intention to repurchase, customers loyalty, recommendation to others
6. The respondents are limited to 120 respondents who are Smart Folks Coffee Cambridge, Medan customers.

1.3 Problem Formulation

Based on the background of the study, the question to be answered in this research are as follows:

1. Do food quality and service quality influence on customers satisfaction at Smart Folks Coffee Cambridge, Medan?
2. How does food quality influence on customers satisfaction at Smart Folks Coffee Cambridge, Medan?
3. How does service quality influence on customers satisfaction at Smart Folks Coffee Cambridge, Medan?

1.4 Objective of the Research

Based on the formulation of the problem that has been described, the objectives of the research as follows:

1. To determine how food quality and service quality influence on customers satisfaction at Smart Folks Coffee Cambridge, Medan.
2. To evaluate how food quality influence on customers satisfaction at Smart Folks Coffee Cambridge, Medan.

3. To evaluate how service quality influence on customers satisfaction at Smart Folks Coffee Cambridge, Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The theoretical benefit in this research are as follows:

1. This research is anticipated to contribute to the advancement of management theory as a research material in the literature and to enhance scientific research at Universitas Pelita Harapan Medan Campus for Undergraduate Management Studies Program, particularly in the area of business management.
2. This research is intended to knowledge in both theory and empirical evidence, where empirical evidence may be utilized as a reference material for understanding, discussion material, and future research material for readers regarding business management issues.

By conducting research for this skripsi, the writer is expected to gain more experience and insights regarding the influence of service quality and food quality towards customers satisfaction at restaurant

1.5.2 Practical Benefit

This research will give three benefits, which are as follows:

1. For company, this research can be a source to improve the personal factors and food quality toward customers purchase decision.

2. For writer, this research can improve the knowledge and improve the experience between personal factors and food quality toward customers purchase decision.
3. For other researcher, this research can be references when others research conducts a similar topic.

