

CHAPTER I

INTRODUCTION

1.1 Background of Study

The culinary business is one of the most promising and attractive businesses to visit, especially among the Indonesian people, especially in the city of Medan. Culinary in the city of Medan has attracted many customers to enjoy the variety of food provided. As the third largest city in Indonesia, Medan City has a variety of very diverse culinary delights with various tastes due to very diverse cultures and religions. Acknowledging the future of culinary industries prospect, many entrepreneurs see this big opportunity and interested in starting a restaurant business to earn more profit.

Furthermore, as we can see the core part in the restaurant is customer service, where it has a high level of personal contact between the server and the customer exists. Therefore, in the restaurant and cafe business to be able to compete with other service industries or restaurants in Medan in providing their services towards customers. In the sense of service, consisting of quality with measured service, which has 7 dimensions namely Reliability, Responsiveness, Tangibles, Assurance, Credibility, Perceived Value and also Empathy. Then by providing good service, it will also make customers have high satisfaction and loyalty to come back to visit in the future.

According to Pratminingsih (2018), customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities, and

bring you even more customers. According to Chen & Lee (2009) in Pratminingsih (2018), mentioned that loyalty exists when customers feel satisfied with a product and have intentions to repurchase and spread positive word-of-mouth about the product. According to Caru & Cova (2008) in Pratminingsih (2018), one way that can be used to maintain consumer loyalty is by touching the emotional side of the customer through experiential marketing. According to Mansouri and Ibrahimi (2013) in Pratminingsih (2018) This is also important for the restaurant because people dine out in restaurants not only looking for tasty food but because of emotional values (for socializing, entertainment, or prestige) which is gained through experiential marketing.

According to Kotler & Keller (2009) in Kencana (2020), customer satisfaction is the result felt by buyers who experience the performance of a company in accordance with their expectations. Customers are satisfied when their expectations are met and feel very happy when their expectations are exceeded. Satisfied customers tend to stay loyal longer, buy more, are less sensitive to price changes and their talks benefit the company.

According to Cha and Seo (2020), SERVQUAL is a compound word of Service and Quality. It compares consumers' perceptions and expectations of services and analyzes the degree or direction of agreement to manage service quality. In SERVQUAL measures of service quality (service quality characteristics) are composed of empathy, reliability, type, assurance, credibility, perceived value and responsiveness.

According to Lau et al (2019), the dimension of SERVQUAL using seven dimensions as the explanation below.

a. Tangibles

Recognized in studies conducted in restaurant settings, "tangibles" were determined to be the most critical dimension in determining SQ and the first aspect that customers notice and consider when evaluating CS. For instance, it was discovered that tangibles (specifically, menu design, staff appearance, and dining venue cleanliness) are the most powerful predictors of SQ and CS. In the application of the tangibles dimension at Opal Coffee Indonesia Medan, it can be shown in the following image.



Figure 1.1 Tangibles in Menu Design at Opal Coffee Indonesia Medan
Source: Opal Coffee Indonesia Medan (2022)

b. Assurance

Assurance, which refers to customers' perceptions of employees' knowledge, courtesy, and ability to inspire trust and confidence in customers, is widely recognized as a reliable indicator of customers' assessment of a restaurant's service quality, as well as of customer satisfaction and repurchase intention.

For example, suggested that perceived quality of customer interactions with staff was related to expertise demonstrated by employees' menu knowledge, responsiveness, and service attitude, all of which influenced CS and repurchase intention significantly. In applying the assurance dimension at Opal Coffee Indonesia Medan, it can be shown in the following figure.



Figure 1.2 Assurance in Customer Interaction at Opal Coffee Indonesia Medan
Source: Opal Coffee Indonesia Medan (2022)

c. Reliability

Reliability, as the ability to perform the promised service reliably and accurately, is also a critical factor in meeting customer expectations and a recognized driver of CS in the hospitality sector. For instance, in themed restaurants, employee reliability is the most important SQ dimension influencing customer satisfaction and loyalty. In the case of sommeliers, the requirement for dependability in recommending wines from the master wine list based on the customer's interests and preferences, thus meeting customer expectations. The emphasis is on providing customers with reliable expert opinion and information about the recommended wine, specifically in terms

of brand recognition and value for money, on effectively satisfying customers' needs, and on enhancing customers' positive perceptions of the wine and sommelier services. In the application of the reliability dimension at Opal Coffee Indonesia Medan, it can be shown in the following image



Figure 1.3 Reliability in Menu Recommendation at Opal Coffee Indonesia Medan
Source: Opal Coffee Indonesia Medan (2022)

d. Responsiveness

Referring to the staff's willingness to assist customers and provide prompt service, responsiveness is a widely accepted indicator of service quality, customer satisfaction, and repurchase intention, particularly in the food and beverage industry. For example, it was discovered that service staff's prompt response to customers, their politeness, their knowledge of their area of expertise, and their attentiveness and awareness of customer needs all influence customers' perceived SQ and CS in full-service restaurants. In implementing the responsiveness dimension in Opal Coffee Indonesia Medan, it can be shown in the following image.



Figure 1.4 Responsiveness in Menu Serving at Opal Coffee Indonesia Medan
 Source: Opal Coffee Indonesia Medan (2022)

e. Empathy

Empathy, or the care and individual attention that a business provides to its customers, is also a dimension of SQ and a critical component of developing customer-brand relationships in a variety of situations. The argument is that serving staff's care and attentiveness to customers is critical for fostering loyalty, as customers always seek personal attention and appreciate services that are perceived to be in their best interests. This demonstrates the critical nature of demonstrating staff concern for individual customers' interests, meticulously tailoring services, and making customers feel respected when dining in reputable restaurants, all of which are critical conditions for establishing CS. In applying the empathy dimension at Opal Coffee Indonesia Medan, it can be shown in the following image.



Figure 1.5 Empathy in Explain to Customer at Opal Coffee Indonesia Medan
Source: Opal Coffee Indonesia Medan (2022)

f. **Credibility**

Credibility supports reliability and certainty by representing "trustworthiness, believability, and honesty." In the context of hospitality, credibility is linked to the personal characteristics of the staff, necessitating the hiring of sommeliers with extensive wine knowledge to assist customers in making wine selections, as well as serving as a reliable and credible information source capable of lowering customers' perceived risk in purchasing wine. In applying the credibility dimension at Opal Coffee Indonesia Medan, it can be shown in the following image.



Figure 1.6 Credibility in Giving Information at Opal Coffee Indonesia Medan
Source: Opal Coffee Indonesia Medan (2022)

g. Perceived value

Perceived value is defined as a customer's total judgment of a product's utility based on perceptions of what is received and what is given. It is a key predictor of CS, since it is determined by the gap between consumers' expected returns and their actual expenditure. In applying the perceived value dimension at Opal Coffee Indonesia Medan, it can be shown in the following image.



Figure 1.7 Perceived Value in Ease of Payment at Opal Coffee Indonesia Medan
Source: Opal Coffee Indonesia Medan (2022)

According to Sany et al (2020), every consumer has different perceptions and expectations, this can be one of the causes of a decrease in the level of consumer satisfaction. For some businesses in the culinary field to obtain and find out customer satisfaction is not easy, there needs to be a process of fulfilling customer satisfaction and a supportive service system, so that consumers will feel happy with the products and services needed and feel comfortable with the services provided.

PT Opal Coffee Indonesia Medan focus more on the downstream of the coffee business value chain, which is to provide the added value of green coffee beans that will be processed into roasted coffee beans to become the coffee drink itself. PT Opal Coffee Indonesia also distribute its own brand: Opal Coffee Drip

Coffee products and Kalita brewing equipment's to major retailers in Indonesia such as: Aeon Supermarket, Grand Lucky, Farmers / Ranch Market, Papaya, etc.

On current consumer satisfaction at Opal Coffee has a good rating at this time, consumers at Opal Coffee have a good experience of satisfaction in visiting and enjoying the menu served by Opal Coffee. The following is customer satisfaction data taken from google reviews.

Table 1.1
Rating from customers at Google Reviews

Rating	Name	Review Results
5 stars/ 2 months ago,	Simson Salouw	<i>Saya ke Opal diajak rekan. Menunya lumayan berbeda dari yang lain. Menurut saya menunya lebih ke rasa Eropa dengan penyajian berkelas. Dari harga cukup mahal tapi sesuai dengan menu yang ditawarkan. Tutup pukul 20.00 karena situasi pandemi. Karena itu jika ingin lama di tempat ini di masa pandemi datanglah pada sore hari. Dari penataan ruangan membuat kita betah berlama-lama. Karyawan sangat informatif. Saya menikmati Drill Salmon mased potatoes, kopi, pizza dan potatoes chip dengan mayoneis.</i>
5 stars/ 1 year ago,	Komang Pradyana	<i>Salah satu cafe favorit di kota Medan, tempatnya nyaman namun ga begitu besar Makanan dan minumannya macem2, disini juga salah satu spesialisasinya adalah kopi, cobain aja, mantap lho Pelayanannya baik, petugasnya ramah, makanannya enak, tapi memang agak sedikit mahal buat saya. Opal Cafe, mantappp</i>
5 stars/ 1 year ago,	Ronauli Dian	<i>Suasananya enak tenang, disertai prokes. Meja juga diberi jarak cukup jauh. Makanan yg di pesan enak2 kok. Parkir tidak sulit.</i>
5 stars/ 3 months ago,	Rina	<i>Tempatnya cozy, makanan enak, musiknya asyik, cocok bawa temen buat hang out rame rame</i>
5 stars/ 2 months ago,	Kesjaor Su	<i>Tempatnya nyaman, cuma ga terlalu luas. Indoor - outdoor seating doang. Harga menengah ke atas, rasa lumayan. Ada mushollanya juga. Jadi jangan khawatir kalo mau nongkrong lama.</i>

Source: Opal Coffee Indonesia Medan, 2022

It can be seen in reviews from current customers on google reviews, showing that Opal Coffee Indonesia Medan has received positive responses from customers. This shows that customer satisfaction when visiting and enjoying the menu served is in accordance with customer expectations. All of the reviews and based on the on field observations of Opal Coffee Indonesia Medan shows that the New Servqual Dimension variable, Customer Satisfaction, and Customer Loyalty at Opal Coffee Indonesia Medan is good. As this branch has opened since 2019 gaining a lot of Loyal Customer until now.

With satisfied customers, it will also bring loyalty from customers to visit again. The relationship between value, customer satisfaction and loyalty is with a good value, then customer satisfaction can be achieved and if the customer is satisfied, then customer loyalty can be obtained. Loyal customers are loyal customers who come back and are considered capable of providing value and satisfaction to them. Satisfaction of a customer is certainly assessed in different ways, each customer certainly has its own measure of satisfaction, but satisfied customers will usually become loyal customers.

In measuring the SERVQUAL Dimension at Opal Coffee, currently applying KPI to every employee that must be followed in providing service and serving food to customers. In fulfilling the aspects of the SERVQUAL Dimension, it is necessary to assess the quality of service performed by employees in fulfilling the dimensions of empathy, reliability, type, assurance, credibility, perceived value, and responsiveness. The KPI assessment system is carried out by branch managers assisted by restaurant managers with an assessment once a month. The assessment is carried out by paying attention to the customer service process carried out by Opal Coffee employees. Following are the points of assessment in KPIs based on interviews conducted.

Table 1.2
Key Performance Indicators as SERVQUAL from Opal Coffee

No	Subject of Assessment	Weighted Value
1	Offers discounts for OVO e-money payments, Shopeepay	10
2	Be friendly to guests	20
3	Submission and explanation to customers in explaining customer questions	20
4	Provide certainty when the food menu is finished to customers	20
5	Pay attention to customer needs	10

6	Offering menus and favorite drinks to customers	10
7	Offers menus that are available at certain hours such as lunch sets and others	10

Source: Opal Coffee Indonesia Medan, 2022

In table 1.2, employees who provide services must apply KPI in providing services. With the KPI, it will describe the services that must be carried out by employees in meeting current standards to maintain customer satisfaction. The SERVQUAL dimension is also an element of service in the employee KPI. In this study, the SERVQUAL dimensions will be used, namely tangibles, reliability, responsiveness, assurance, empathy.

This Research will be using Opal Coffee Indonesia Medan as the research object, because of the growing trend of Cafe in Medan which is shown with more and more Cafe showing up as the competitors of Opal Coffee Medan thus, making the competition to become fiercer and that it is becoming a more crucial matter for company such as PT Opal Coffee Indonesia Medan to be able to increase the customer loyalty.

The reasoning behind the use of this Research Model is because Customer Loyalty and Customer Satisfaction is highly crucial for every business to generate their sales and variables that highly influence them is the service quality dimension that consist of tangibles, assurance, responsiveness, reliability, empathy, credibility, and perceived value.

This research will aim to analyze the effect of New Service Quality that consists of Tangibles, assurance, reliability, responsiveness, empathy, credibility and perceived value have towards Customer Loyalty Trough Customer Satisfaction at PT Opal Coffee Indonesia Medan.

Based on this discussion, the writer decides to conduct research entitled **“The Effect of New SERVQUAL Dimension towards Customer Loyalty Through Customer Satisfaction at PT Opal Coffee Indonesia Medan”**

1.2 Problem Limitation

In this study, the writer will limit problems for the new SERVQUAL dimension, namely regarding the ability of employees to provide services that are currently applied to consumers, while on customer satisfaction and loyalty who get quite good ratings from consumers because they are satisfied with the services, facilities, and menus. served at Opal Coffee Medan as the main problem of this study. Problem limitations are new SERVQUAL Dimension (X) as the independent variable and (Y1) customer loyalty and (Y2) customer satisfaction as the dependent variable.

Indicators for new SERVQUAL Dimension are from Lau et al (2019), which include reliability, responsiveness, assurance, empathy, tangible, credibility, and perceived value.

Indicators for customer satisfaction are from Simamora and Realize (2020), which include overall customer satisfaction, confirmation of expectations, repurchase intention, availability for recommendations and customer dissatisfaction.

Indicators for customer loyalty are from Jabeen & Hamid (2019), include making regular purchases, buying across product lines and services, referring others, demonstrating immunity to pull from competitors.

1.3 Problem Formulation

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

- a. Does tangible have significant effect towards Customer Loyalty Through Customer Satisfaction at PT Opal Coffee Indonesia Medan?

- b. Does assurance have significant effect towards Customer Loyalty Through Customer Satisfaction at PT Opal Coffee Indonesia Medan?
- c. Does reliability have significant effect towards Customer Loyalty Through Customer Satisfaction at PT Opal Coffee Indonesia Medan?
- d. Does responsiveness have significant effect towards Customer Loyalty Through Customer Satisfaction at PT Opal Coffee Indonesia Medan?
- e. Does empathy have significant effect towards Customer Loyalty Through Customer Satisfaction at PT Opal Coffee Indonesia Medan?
- f. Does credibility have significant effect towards Customer Loyalty Through Customer Satisfaction at PT Opal Coffee Indonesia Medan?
- g. Does perceived value have significant effect towards Customer Loyalty Through Customer Satisfaction at PT Opal Coffee Indonesia Medan?
- h. Does customer satisfaction have significant effect towards Customer Loyalty at PT Opal Coffee Indonesia Medan?

1.4 Objective of the Research

The purposes in doing this research are as follows:

- a. To examine if Tangible have significant effect towards Customer Loyalty through Customer Satisfaction at PT Opal CoffeeIndonesia Medan.
- b. To examine if Assurance have significant effect towards Customer Loyalty through Customer Satisfaction at PT Opal CoffeeIndonesia Medan.
- c. To examine if Reliability have significant effect towards Customer Loyalty through Customer Satisfaction at PT Opal CoffeeIndonesia Medan.
- d. To examine if Responsiveness have significant effect towards Customer Loyalty through Customer Satisfaction at PT Opal CoffeeIndonesia Medan.

- e. To examine if Empathy have significant effect towards Customer Loyalty through Customer Satisfaction at PT Opal CoffeeIndonesia Medan.
- f. To examine if Credibility have significant effect towards Customer Loyalty through Customer Satisfaction at PT Opal CoffeeIndonesia Medan.
- g. To examine if Perceived Value have significant effect towards Customer Loyalty through Customer Satisfaction at PT Opal CoffeeIndonesia Medan.
- h. To examine if Customer Satisfaction have significant effect towards Customer Loyalty at PT Opal CoffeeIndonesia Medan.

1.5 Benefit of the Research

Benefits of this research can be listed as follow:

1.5.1 Theoretical Benefit

The theoretical benefit of this research as follow:

The results of this research are expected to contribute to the existing theories relevant with new SERVQUAL dimension, customer loyalty and customer satisfaction at PT Opal Coffee Indonesia Medan.

1.5.2 Practical Benefit

The practical benefit of this research as follow:

- a. For writer, the result of this research is expected to contribute to the existing theories relevant with new SERVQUAL dimension, customer loyalty and customer satisfaction
- b. For PT Opal Coffee Indonesia Medan, this research as information about whether the survey that has been made will be useful to improve the company's performance.
- c. For other researcher, to be a guide in leading the researcher to do other research that is compatible with this research.