CHAPTER I

INTRODUCTION

1.1 Background of Study

Nowadays, people are facing dynamic pace of change that happens to many industries as the effect of the technology application, including the hospitality industry. Back a decade before, the industry was not considered a favourite choice for many people to build their career as many people assume that it is not as promising as other career paths. Today, with the development of the industry and much exposure that supported by many public figures rising from this sector, one of the most well-known hospitality figures is Gordon Ramsay that known for the world's biggest cooking competition franchises, such as MasterChef and Hell's Kitchen, made hospitality industry gained more popularity and being more promising career opportunity choice for teenager.

Food and Beverage business is part of Hospitality industry which requires service as well in its workflow. According to Landman (2020), The hospitality industry is part of the service industry and is comprised of 5 major sub-sectors which include lodging service, food, and beverage service, events, tourism, and transportation, which the core of the industry itself is to provide products and services to people that assist in recreation and well-being of people that leads to main goal, to provide a service and customer satisfaction. In addition, hospitality industry is considered one of

the most competitive working environments. Working in hospitality industry is also a quite challenging as its unique and tends to be service-oriented and strongly related to human exchange in the process of delivery of service. Nowadays, hospitality industry has reached a global economic segment with direct and indirect impact on the world economy. FEBC International report shows that from 2009 to 2017 U.S hotel gross bookings increased from $116 billion to $185 billion (TOPHOTELNEWS Editor, 2019). Globally, travel and tourism's direct contribution to GDP was approximately 2.9 trillion U.S. dollars in 2019 (Lock, 2020). Two facts before show that hospitality industry is one of the best businesses that contribute to the global economy.

Every human being in their life has matters, importance, and needs that have to be fulfilled one of which is foods. Needs for foods in society has been a lifestyle that happened to start from eating in restaurant, café, and fast food restaurant, to street food or hawker center. Therefore, with these lifestyle changes, there are so many entrepreneurs seeking opportunities and racing to earn profit by opening Food and Beverage Business. Restaurant, as one of the Food and Beverage business example, is a food and beverage industry that has purposes to earn huge revenue by providing food and beverage products and performing the best service to customers. According to Lang (2020), Restaurant, establishment where refreshments or meals may be procured by the public, the public dining room that came ultimately to be known as the restaurant originated in France. Based on definition before, it can be assumed that restaurant is a place for guests both individuals and groups to enjoy food and beverages and the party who run the business expect in making profit

through food production management and food service operation. The concern of the business mainly covers quality of service, quality of food and beverages, employees' manners and attitude, venue's atmosphere and design, condition of equipment used, and sanitation. In hospitality industry which is service-based industry, hygiene, and safety are considered one of the most crucial concerns that have to be handled properly by employee in food and beverage business.

Food Quality is one of the crucial benchmarks that require as maximum quality preserved as possible in food making process which quality of food and beverages served to the customers is a first impression for the customer to pre-judging the dish served and also as consideration for customers' order repetition in future visits and customers' word of mouth to their friends and relatives. According to Cairo (1993, as cited in Kumar & Bhatnagar, 2017), it is predicted that few the customers revisit restaurant due to the decent quality of food, in studies both fast-food outlet and restaurant food quality are always in first position in comparison to other factors where guest decide to visit restaurant. While, according to Margareta and Edwin (2012, p.11, as cited in Auliya & Aprilia, 2017), food quality plays key role in customer's purchase decision, until it can be assumed that if the quality of food increase, it will be followed by increase in customer's purchase decision rate as well. From both explanations before, it can be assumed that having well-maintained food quality is essential for a restaurant to achieve a satisfactory level of customer retention and purchase decision as has been proven by previous studies done before. Several aspects actively affect in quality of food such as taste, nutrition, freshness, presentation or plating, and hygiene, especially for last aspect

which is directly related to safety of food from foodborne illness if it is not handled properly that leads to decrease of food quality. Hygiene of kitchen physic including both its equipment and utensils, have to make sure it is well maintained and as clean as possible to minimize the chance of cross-contamination to the food or utensils that customer use while consuming the food and beverages, also safety of the food to be consumed by customers, while not forgetting in preserving good service quality to present best dining experience for customers at restaurant. Vicky (2019) in her research noted that food quality has become a central part of the overall restaurant experience so the food quality is able to be significant factor in influencing the purchasing experience.

There are several ways for enterprises to increase their customer purchase decision, one of the most common ones is providing better experience and satisfying service compared to competitors. Differentiation is the key point for the food and beverage business which service can be an essential tool for differentiation itself especially if the business is run with little product differentiation or the development of product that is complex and tend to be stagnant.

According to Al Ababneh (2017), "Service quality is subjective as it comes from expectations, needs and perceptions of customers, it depends on the individual's (customer's) experiences and perceptions they had received." While Kerin & Hartley (2017) define service quality as an indicator of how the standards of service offered can satisfy customer's standards or expectation. Having a decent quality of service is considered essential stuff for a business to achieve performance stability. Other advantages that a food and beverage business is able to gain in

applying good service quality such as increase in customer retention, attracting new potential, creating valuable customers, and even creating good competitive advantage against competitors. Therefore, with excellent service quality, it will generate more satisfied customers that affect the food and beverage business' brand awareness and image.

According to Leong et al. (2015, as cited in Danish et al., 2018), customer satisfaction is an individual's response toward particular thing when comparing performance of the product with anyone's expectation. While according to Joudeh & Dandis (2018), customer satisfaction refers to the reflection of customer's feeling and expectation, which is the reflection that comes from internal feeling it results in dissatisfaction or satisfaction based on service customers' experience. Every restaurant business will prioritize customer satisfaction in order to make their customer happy and satisfied with the service delivered. High-level customer satisfaction is considered favourable in helping restaurant in promotion purposes and gaining more positive review by customers or word of mouth that means it can boost the effect of the restaurant's marketing and branding for upcoming restaurant's future revenue stream and new potential customers that result directly relate to customer retention and customer loyalty.

In the real situation of restaurant business process, from all variables mentioned above, food quality remains one of the top concerns in affecting customer satisfaction that leads to customer retention. It is obvious that food quality is the main foundation of the food and beverage business in attracting customers, without forgetting service quality that has role almost as important as food quality

in food and beverage business, if both variables are compared in quality score, food quality has a slightly better score than service quality and slightly more affecting to be concerned in fulfilling customer's satisfaction. But since both variables have slight difference in quality score, each of the variables has to be maintained in good and acceptable quality and if one of the variables perform under standardized quality, it can be a huge disadvantage that leads to customers churn, negative review, business's reputation damage and possibly until the loss of future the restaurant business itself. In many real-life examples, customers' behaviour in choosing restaurant tends to be more prioritizing the food quality that includes taste and hygiene, and service quality tends to be the second priority as if it is still acceptable for customers, they will still enjoy being at the restaurant even the service quality is on the mediocre level or just being ordinary. (Hughes, 2021) has the same opinion as their statement before, which he said that "Consumers tend to place slightly more weight on food quality, but a string of negative reviews concerning service can damage your business's reputation as well. Food is the primary good you're selling, but it isn't the only good."

According to Agyapong (2011, as cited in Suciptawati et al., 2019), there is a positive relationship between service quality and customer satisfaction. Service quality and customer satisfaction have an interrelated relation, whereas the higher level of service quality, the higher customer satisfaction will be theoretically. Starting with understanding and identifying how important is customer satisfaction towards the food and beverage business, may be able to help in enhancing the service quality that has already been delivered by the restaurant. Hence, with the

importance of both variables in food and beverage business, measurement of both service quality and customer satisfaction is essential as the comparison of differences between both variables before and after the adjustments or changes, for restaurant to be able to identify the standard of service delivery and also as chance to identify foreseeable problems related to service that might be occurred in the future so the prevention can be made before it finally occurred.

Eventually, both food quality and service quality are the aspects that will affect overall customer satisfaction. It can be assumed that most customers tend to choose good food quality with mediocre quality of service in choosing restaurant to visit. As customers will look for a comfortable place where they always expect can enjoy their meal meaningfully and even with unforgettable dining experience. So, it is a wise choice for a restaurant to maximize the food product quality while grinding and maintaining in delivering good and better service quality to customers. Because in the end, if customer feels happy and satisfied, they will share their pleasant experience with their friends and relatives and may recommend the restaurant so their friends and relatives can experience the good dining experience as well. While, if the customers feel unhappy and dissatisfied with the food products and service, they will not hesitate to discourage their friend or relatives in not visiting the restaurant and even may share their negative review on the social media and rating platform, especially if the customers are influential figures that can bring mass behind them, it will be a huge disadvantage and bad reputation for the business that will affect overall restaurant performance.

The Stepping Stone Café Medan as the research object of this research, is a café that adopts modern Balinese concept that operates 24 hours a day with an ambience that is almost similar to famous beach clubs in Bali. Cozy and spacious is the theme of this café and sometimes comes with a live band music show which makes them popular for teenager in Medan especially spending their Saturday night. The Stepping Stone Café Medan is located at Jl. Tembakau Deli No.1 (located inside Reiz Condo Lobby), Medan, North Sumatra, the location is very strategic as it is located in the heart of Medan city. The stepping stone is famous for its modified traditional Balinese cuisine which Balinese cuisine itself rarely found in the city of Medan and they also sell various food and beverage menu starting from Indonesian to western cuisine.

Based on google review data, The stepping stone has recorded total of 229 reviews, which the reviews' rating appear on scale starting from 1 star to 5 stars. From all 229 reviews, it is found that there are about 19 poor ratings which are 1 star and 2 stars ratings. From percentage point of view, from the overall reviews, 8.2% were poor ratings or bad reviews which this number is acceptable in general. But there is something that attracts the author to discuss this topic, which most of the topic of the bad review is about the poor quality of both food and service. Regardless of the acceptable numbers of bad reviews to total review ratio, the author argues that all the critics from bad reviews are essential topic in food and beverage business that the stepping stone may not ignore. Improvement in both food quality and service quality is a must in order for The stepping stone able to avoid customer turnover and able to maximize the efficiency and potential of the café. Overall, the

average ratings of The Stepping Stone café rated in 4.3 stars which means this café still performing well and still a recommended place to go, according to (Garfinkel, 2020), mentioned that ratings of 4.2 – 4.5 are the most trusted referred from a study conducted by the Spiegel Research Center. However, the author has acquired data that shows number of poor ratings or complaint starting from the opening which is October 2020 until May 2021 collected through cafe's questionnaire data collection which as described below:

Table 1.1 Poor Ratings Data of The Stepping Stone Café Medan (October 2020 – May 2021)

Period	Numbers of poor ratings
October 2020	15
November 2020	17
December 2020	9
January 2021	8
February 2021	12
March 2021	16
April 2021	17
May 2021	22

Source: prepared by the author (The Stepping Stone Café Medan, 2022)

Based on the table above, it can be seen there is increasing trend in overall number of poor ratings from October 2020 to May 2021, although there are two months where the café recorded low number of poor ratings. The reason why the data is only available until May 2021 is that in June 2021 there is PPKM which made the café operational only rely on delivery scene, so there is no questionnaire

spread starting from this point until now (April 2022). Most of the problems are related to food quality and service quality experienced by several customers when visiting The Stepping Stone Café Medan. The complaint about food quality is mostly about inconsistent taste and freshness of food ingredients. While, for service quality complaint, most customers complain about the way they are being treated and responded in a bad manner and to some customers it might be unacceptable, also the complaint about the speed of employee in delivering foods and services which so slow, and lack of attention from employee to customers. These problems surely decrease level of customer satisfaction and even it has caused customers to churn due to poor level of both food and service quality.

Based on description above, the author is interested to study and conducting further research on the problem phenomenon that appears in the company regarding food quality and service quality towards customer satisfaction. The author will verify the problem by conducting research entitled **"The Influence of Food Quality and Service Quality Towards Customer Satisfaction at The Stepping Stone Café Medan"**

1.2   Problem Limitation

In hospitality industry, many aspects are able to influence the performance of a café or restaurant business and one of those aspects is quality that remains as most common aspect. However, due to the limitation of time, the author determines problem limitation on this research only for indicators of the variables discussed in this research such as: food quality (color, appearance, portion, shape, temperature, texture, aroma, level of doneness, taste); service quality (tangibility, reliability,

responsiveness, assurance, empathy); and customer satisfaction (fulfillment, pleasure, ambivalence). The variables used and discussed in this study are Food Quality (X_1), Service Quality (X_2), and Customer Satisfaction (Y). The research object will be only limited to The Stepping Stone Café located in Jl. Tembakau Deli No.1, Medan, and the duration of this research will be limited to one month which precisely starts from 23rd March until 20th April 2022.

1.3   Problem Formulation

Based on the background of the study mentioned above, the problem statement of this *skripsi* is:

1.   Does food quality influence towards customer satisfaction at The Stepping Stone Café Medan?

2.   Does service quality influence towards customer satisfaction at The Stepping Stone Café Medan?

3.   Do food quality and service quality influence towards customer satisfaction at The Stepping Stone Café Medan?

1.4   Objective of the Research

The main purpose of this research is to find out about relationship between food quality and service quality towards customer satisfaction. The objectives of this research will be as mentioned below:

1.   To analyze the influence of food quality towards customer satisfaction at The Stepping Stone Café Medan.

2. To evaluate the influence of service quality towards customer satisfaction at The Stepping Stone Café Medan.

3. To examine the influence of food quality and service quality towards customer satisfaction at The Stepping Stone Café Medan.

1.5   Benefit of the Research

There are several benefits to conducting this research. The benefits will be divided into two kinds of benefits such as:

1.5.1   Theoretical Benefit

1. For Author

This research is able to help the author to understand more about the information and theories that are taught in the university and reality that occurs in the restaurant or café, and also to enable author to get more insight.

2. For Readers

The results of this research are expected to be used as material to prove that there are influences between food quality, service quality, and customer satisfaction examined by the author

3. For Other Researchers

The results of this research are expected to be used as additional reference for other researchers who have the same interest in conducting using the similar theory in the future

1.5.2 Practical Benefit

1.   For Author

This research is conducted in order to fulfill one of the academic requirements to obtain the degree of *Sarjana Manajemen* at Universitas Pelita Harapan Medan, as well as to help the author to get better understanding of the theories taught at the university.

2.   For The Stepping Stone Café Medan

The results of this research are expected to be useful and to provide benefits for The Stepping Stone Café Medan as input or suggestion in improving the quality of food and the quality of service in terms of increasing the level of customer satisfaction, to reach its sustainability and potential growth in the future.

3.   For Future Researchers

The results of this research are expected to provide an additional information source that can be utilized as a consideration and comparison material to gain information and insight regarding food quality and service quality towards customer satisfaction.