

# CHAPTER 1

## INTRODUCTION

This chapter will explain the background of the research, problem formulation, purpose of the research, and the research scope and limitation.

### 1.1. Background

In today's economic environment, both small and large businesses are required to become more efficient and participate in a competitive global market where client expectations are continually increasing. In this new reality, quality is critical for success (Sharabi, 2010). The fact that the perceived quality of the product or service is becoming the most important competition factor in business world has been the reason of naming the present business era as "Quality Era" (Peeler, 1996). Due to their intangible natures, services are more difficult to evaluate than products, which typically can be inspected and evaluated for quality before the purchase takes place. Since services comprise a large portion of economic activities, 50 to 70 percent in developed nations, researchers are eager to develop a measure suitable for assessing service quality. (Pollack, 2009).

Many researchers addressed the relationship between service quality and customer satisfaction and it is generally believed that higher levels of service quality lead to higher levels of customer satisfaction (Gotlieb et al., 1994; Kang and James, 2004; Oliver, 1997). Service quality is "the delivery of excellent or superior service relative to customer expectations" (Zeithaml and Bitner, 1996). Services have specific characteristics, such as intangibility, heterogeneity and inseparability. Their production, distribution and consumption are simultaneous processes and they are not storable. They are created in buyer-seller interactions and they are essentially activities or processes, in which customers participate in the production (Gronroos, 2000).

Service quality is recognized as a multi-dimensional construct. While the number of dimensions often varies from researcher to researcher, there is some consensus that service quality consists of three primary aspects: outcome quality, interaction quality, and physical service environment quality (Rust and Oliver, 1994; Brady and Cronin, 2001) and other the most popular conceptualization of service quality

features five dimensions: tangibles, reliability, responsiveness, empathy and assurance (Parasuraman et al., 1988).

Customer complain or customer assessment of service quality is critical information for service provider to evaluate the service quality and also could improve business performance, strengthen core competencies, and position themselves more strategically in the marketplace (Cronin and Taylor, 1992 ; Jain and Gupta, 2004) Service quality and customer satisfaction are distinct but related constructs (Spreng and Mackoy, 1996). (Oliver, 1997) defines satisfaction as “the consumer’s fulfillment response”, a post consumption judgment by the consumer that service provides a pleasing level of consumption-related fulfillment, including under or overfulfillment.

As the newest coffee shop, Coffee & Drama have desired to be the one of finest cafe in Yogyakarta that want to provide good quality of service. Customer Satisfaction is Coffee & Drama main concern and as the main criteria in order to analyze quality of their service and as the reason to do continuous improvement to provide the good quality of service. In this case, Coffee & Drama customer rarely give feedback to retailer and also the manager never manage the customer feedback. Based on that fact technically, their current performance can not be categorized as good since Coffee & Drama does never manage customer feedback data and does not had clearly knowloedge about their current performance. In order to know the current quality of the performance in food retailer, customer feedback is one of important aspect. Based on that fact service quality analyzing are needed.

This research are conduct to evaluate the Coffee & Drama performance in order to create customer satisfaction and loyalty. If the customer expectation is satisfiy with the service quality of the Coffee & Drama, customer tends to using the coffee shop service and customer become loyal to the coffee shop.

## **1.2. Problem Formulation**

This study is concerning on conducting Service Quality Measurement in Coffee & Drama in order to improve quality of service that had been provided to achieve the customer satisfaction and expectation.

### **1.3. Research Purpose**

The purpose of this research are:

- a. To know the service quality of current performance in Coffee & Drama
- b. To evaluate the service quality of current performance in Coffee & Drama
- c. To propose possible improvement in order to improve the quality of service in Coffee & Drama.

### **1.4. Research Scope**

Scope of this research as follow :

- a. This research is conducted in service industry in spesific the food and beverages industry (Coffee shop).
- b. Respondents of the questionnaire is the customer of the Coffee & Drama.
- c. Research time table start from december 2017 until april 2018.
- d. The possibility of the method will fit in manufacture industry is low.