

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1. Background**

Marketing is a fast-paced world. A company should be able to compete with others to show the superiority of their product or services compared to their competitors. If a company already have so many customers then they have to find a way to maintain or to keep their customer's trust on their product. One of it is maintaining their quality, whether it is on their services, products, and so on.

According to the Merriam-Webster dictionary, quality is a degree of excellence. Sometimes quality is defined as meeting the requirements of the customer. The concept of quality, efficiency, productivity, growth and survival pose a great challenge for the survival and growth of all corporate bodies. These growth and survival demands are further deepened by the need to attract and retain customers, as customers are the main focus of any successful business (Agyapong, 2011).

The success of a business or a service depends on the company's understanding and meeting customers' needs and demands. Service quality is commonly noted as a critical prerequisite and determinant of competitiveness for establishing and sustaining satisfying relationships with customers (Agyapong, 2011). According to Heskett et al (1994) on Maddern et al (2007), service quality is driven, primarily, by employee satisfaction, which, in turn is influenced by HR practices. The overall chain sees service quality driving customer satisfaction, which leading to growth and profit.

There are a lot of definition mentioned about the customer satisfaction. One of it were mentioned by Levesque and McDougall (1996) which is satisfaction is conceptualized as an overall, customer attitude towards a service provider. The relationship between service quality and customer satisfaction is called the SERVQUAL model suggests by Parasuraman, Ziethaml & Berry, 1988 that the differences between customers' expectations about the performance of a general class of service providers and their assessment of the actual performance of a specific firm in that class results in perceptions of quality.

There are so many food and beverage businesses nowadays, especially cafés. The food and beverage business nowadays is developing rapidly. Generally, there

are customers who visit a certain café over and over again. There must be reasons of why they would like to go back to that certain café. One of the reasons which make the customers most likely to go back to the same café is that they feel comfortable and the café certainly provides a satisfying customer service to their customers.

Hobbies Cafe and Lounge is a place where people can comfortably hangout with their friends and family. This café provides various kinds of food and beverage with a low price. Hobbies Café and Lounge is providing an alternative comfortable place to hangout and various foods and beverages at an affordable price. This makes Hobbies Café and Lounge as the object of this research. This café is located in Jalan AMD, Sumber Rejo, Balikpapan. The object of this research is the customers of Hobbies Café and Lounge.

The current condition that occur in the organization is that they have not done a measurement of customer satisfaction based on the service they provided in Hobbies Café and Lounge. The café also needs to know what their customers want, what aspect the management of the café needs to be improved and what kind of action that they need to do to improve it so that they could improve their service quality. This current condition could decrease the customers' satisfaction towards Hobbies Café and Lounge because they never know what their customers want.

### **1.2. Problem Formulation**

According to the explanation on the background above, the problems that occur in Hobbies Café and Lounge is focused on increasing their service quality corresponding to their customers' want. According to the problem in Hobbies Café and Lounge, the problem formulation on this research is to have the knowledge of the organization's customer satisfaction against the service given by Hobbies Café and Lounge and to acknowledge which service attribute needs to be improved first.

### **1.3. Research Objectives**

The objectives of this research are:

- a. Measuring the customer satisfaction towards service quality of Hobbies Café and Lounge
- b. Identify attributes of Hobbies Café and Lounge service quality that need to be improved

- c. Suggest actions of improvement to management of the café

#### **1.4. Research Limitations**

The scope and limitations of this research are:

- a. This research is conducted using interview on initial observation to know the basic knowledge of the company, such as company profile, marketing strategy, etc.
- b. This research is conducted using questionnaire because if SERVQUAL method is used then customers' opinion about service quality of a company is needed therefore questionnaire is needed to get the answer from the customers.
- c. The respondent of this research's questionnaire is the customers of Hobbies Café and Lounge
- d. The method used in this research is SERVQUAL method considering this method could analyze customer's need and analyze the cause of customer dissatisfaction according to GAP available in the method (Nugraha et al, 2015).
- e. The measurement of the value of customer's expectation and perception is only on GAP 5 based on dimensions of SERVQUAL method