

## **STRATEGIC SERVICE MANAGEMENT IN HOSPITALITY INDUSTRY: CASE STUDY OF GRAND TASTY RESTAURANTS**

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### **ABSTRACT:**

*Managing services in hospitality industry like hotels and restaurants becomes one of the most important considerations for sustainability and growth. It needs much attention in order to prepare the quality services even though it is an intangible product. Planning and analyzing the service operations should be maximized for gaining efficiency in a complete overview of costs and revenues, and in addition, improve profitability for service operations. This research article is to give an overview of service quality in hospitality industry through the preparation in conceptual analysis. The method of research used is qualitative approach by conducting analysis with referring to some problems and challenges in managing service encounters in the field of study in three provincial towns in Indonesia. The results of the analysis show some important points to consider when managing service encounters. This research consumes three months' observation in service and hospitality industries over three towns namely Jakarta, Bali, and Bandung. In conclusion, the researchers show that customer satisfaction seems could become a vital variable contributing to customer loyalty in the proposed strategic model that has a significant direct impact to the growth and sustainability of the restaurants in the service industry.*

**Keywords:** Strategic management, service, hospitality industry, restaurant.

### **INTRODUCTION**

The impact of globalization is very influential to the life of the world community, and the followings accelerate of needs almost all aspects of human life, that is why most of the organizations over the world always review and redesign their service delivery toward their customers for the sake of growing and sustainability of their businesses, companies, governments, non-governments, private organizations (Purba & Panday, 2014). This impact also occurs in hospitality industry around the planet, so customer service becomes an important component of customer loyalty in the hospitality industry. Caring on existing customers by providing good service quality is currently acknowledged as one of the most efficient ways to add value services because the organization can save on promotions. In general, customers have a lot of available options due to the number of suppliers in the industry, thus a good service quality is a decisive factor for customers to come back (Gill and Gill (n. d)). The service industry today occupies a prominent position in the economy of the developed as well as developing nations. There is a perceived need for documented and organized literature on how to achieve quality in the delivery of service in organizations.

Indonesia's hospitality industry services have lots of demand nationwide, and hundreds of millions of population open up a good and extensive opportunities in the country. The big population over large number of islands indicates a lot of service

businesses can be established, and it is a demographic bonus for service industries as well as hospitality industry, especially restaurants.

The problems of the services in the hospitality industry that occur in this country in relation to the writers' findings are human resources capabilities, tangibles, responsiveness, empathy, assurance and reliability. According to the results of the interviewed respondents, the writers found the gap between the perceived and the expectations of customers; the writers hence try to provide the solutions and hopefully becomes the valuable purpose of this research paper for the similar business.

## **LITERATURE REVIEW**

The functional service quality is an important dimension of perceived service than technical quality. The essence of service quality can be used in improving the functional quality of a firm's service by managing the buyer-seller interaction as compared to traditional marketing activities. (Gronross, 1987). To emphasized of this statement of the needs for more clear on consumer's view of service quality also stated by Graham (1987) customer judgment, customer panels and outcome plus delivery are important for better service quality. He added, only customers can judge quality and not the manager or employees. Alignment to that as cited by Purba, from Tjiptono (2012) said that the prime performance realizing efficiency in achieving the goals of the product. For example, return on investment shares, etc. In general, the better performance identifies the better quality, it is also the directions for improvement in service quality. The relationship between service performance and quality of service can be used for measuring the learners' satisfactions (Purba, J.T, 2014).

According to Denton (1990) the improvement of service quality – managerial vision, innovation, setting of standard and performance measuring is important. Similar opinion from Shanker (1990) emphasized that sales promotion in hotel marketing does not consist merely of a series of schemes defined in terms of time but also certain schemes that are ongoing in nature. Armstrong, et al (1997) early service quality research posited that service quality is the gap or difference between "perceptions and expectations". The other research by Ekinia and Riley (1998) despite progress in using the gap model and its associated instrument SERVQUAL, all the original problems remain in place. For the definition of service quality itself, Parasuraman, Berry, and Zeithalm (1985), defines quality of service (perceived service quality) as the ratio between customer expectations and perceptions of the services provided (performance). This definition has been accepted and used widely in general. Customer expectations about quality of service shows how the importance of a quality service. A model was prepared and tested using different scaling techniques and advocacy of the adoption of a wider psychological perspective. According to Panday, R (2014) satisfaction is the level of a person's felt state resulting from comparing a product's perceived performance (or outcome) in relation to the person's expectations. Thus the satisfaction level is a function of the difference between perceived performance and expectations. A customer could experience one of three broad levels of satisfaction. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied, pleased, or delighted.

Then, Akbaba also concluded that the role of service quality in the success of hotel businesses cannot be denied. For the hospitality industry he added that by identifying the specific expectations of customers, the dimensions of the service quality, and their relative importance for customers for each specific segment of industry would definitely help managers in the challenge of improving the service quality. According to him, service quality is vital for the hotel managers to have a good understanding on what exactly the customers want. The business travelers have the highest expectations for the dimension of “convenience” followed by “assurance”, “tangibles”, adequacy in service supply”, and “understanding and caring” (Akbaba, 2005).

## RESEARCH METHODS

In this paper the writers use mix method by combined qualitative approach and Important Performance Analysis (IPA) as an analytical tool, even though this method had ever lost the support (Duke, Mount, 1996), however, a number of researchers still use it as transportation (Huang, Hsu, 1996), banks (Joseph et al., 2005), college (Pike, 2004), hospitality (Janes, Wisnom, 2003) and tourism (Fuchs, Weiermair 2003). The writer use this, because this method has proven to be a tool that can be applied generally because relatively easy to interpret, resulting in the widespread use among researchers and managers in various fields, and is a way to promote the development of effective in the marketing analysis, as it facilitates the interpretation of the data and improve the usefulness in making decisions strategic (Slack, 1994; Matzler et al, 2003; Kitcharoen 2004; Abalo et al, 2007; Silva & Fernandes, 2010). IPA consists of a pair of coordinate axes where 'interests' (y-axis) and performance (x-axis) of the elements involved in the service compared (see Fig. 1).

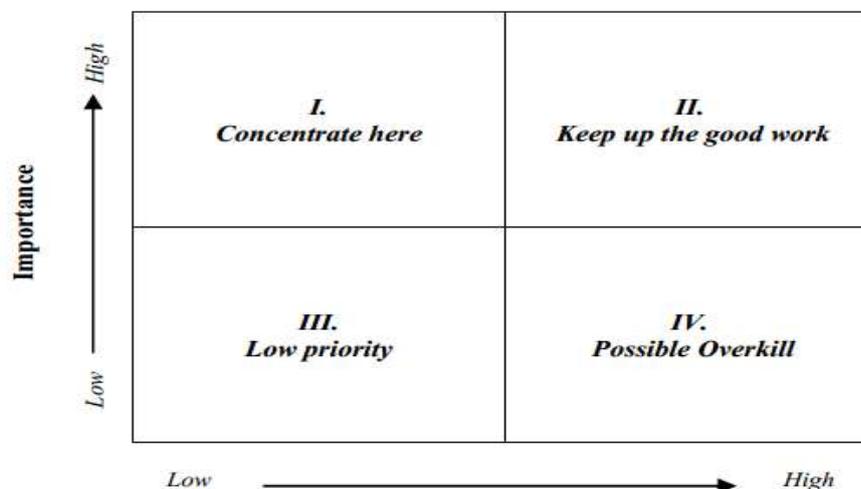


Figure 1. Importance Performance Quadrant ( Panday, R. 2015)

### Data Collection

The writers collected data from the respondents in three cities in Indonesia namely; Jakarta, Bali and Bandung in the similar industry. In order to get grounded facts, the writer did the intensive conversation also long-short discussion with the different levels of the society have different views of experience of expectations and needs, therefore,

the idea of choosing respondents from different backgrounds that gave a certainly reliable information about service quality. In the overall, can be said; most of them are very helpful and kind also provided time in interviews patiently manner and then even provided their own personal opinions.

#### *Data Presented and Analysis*

The analysis, according to Panday (2014) each quadrant combination of level-critical (important) and performance (performance) provided by customers/users of certain elements of the service and the average value of each level of importance and performance attributes are the starting point of this IPA matrix. (Martilla & James, 1977; Guadagnolo, 1985; Bacon, 2003; Matzler et al, 2003; Zhang & Chow, 2004; Pike, 2004; Go & Zhang, 2008; Silva & Fernandes, 2010). Each quadrant shows the different strategies. The four quadrants in the analysis of performance Important-marked as (Martilla & James, 1977, p 78.)

1. *Top Priority* - an important level of high, low performance: in need of immediate attention for repair and a major weakness;
2. *Sticking with a good job* - an important high-high, high performance: indicates that the are opportunities can be achieved or maintained a competitive advantage and a major force;
3. *Low priority* - low interest, low performance: weakness minor and do not require additional work;
4. *Possible overkill* - low interest, high performance: show that business resources are committed to this attribute will be redundant and should be placed elsewhere.

## **FINDINGS AND DISCUSSION**

The researchers proceeded with in-depth interview with the restaurant manager/owner to understand from their perspectives the strategies and stand-pints of growing and sustaining the businesses. With Bill, a visit to the site and observe the manner in which menu is served takes quite some time; yet it provides useful insights on how the customers are served to ensure their loyalty. With Sam, the customers he serves can range from the young to the elderly; with Bill, however, his customers are mostly the millennials who understand the quality of his menu.

### *Latent Variables*

#### Tangibles (V1)

The atmosphere of the restaurants is naturally one of the key factors in hospitality industry. The tangibles are set up based on the types of menu being served. Even though customers come to a restaurant prioritizing the food, the atmosphere supports in reducing the tensions of customers when they feel comfortable. Customers usually take this time not to just enjoy the meals, but also chat to relax or do some readings by themselves. Thus the ambience that is supported by the tangibles plays a key role here.

#### Quality Control of Menu <Reliability> (V2)

The qualities of the food and drink have to be maintained to satisfy the customers. The chefs and service teams (waiters and waitresses) play important roles in the consistency of the qualities of food and beverages. In some occasions, the special menu item or the “best-seller” attracts customers to re-visit the restaurants. This special menu item usually is the product differentiation that other competitors cannot copy its recipe. Innovating the menu is a continuous improvement that must be implemented to retain customers and expose them to new food and beverages. Nevertheless, focusing on the “winner” food or drink as the core competency is also a factor to customer loyalty.

**Manpower Management <Responsiveness> (V3)**

Manning means managing the service team that consists of the front-liners to serve the customers. Oftentimes, a manager is in charge of coordinating and training the service team, so that the team is ready at all times to serve the customers. Training the service team to serve the customers professionally is always a challenge as restaurants are aware of the importance of the training that will result in customer satisfaction and subsequently customer loyalty.

**Service Attitude <Assurance of Reliability> (V4)**

The service team is the one who goes face-to-face with the customers on the spot to serve the routine standard and even resolve issues when problems occur. The service team must be able to implement the protocols based on the existing situations on the ground, and sometimes even improvise to meet the needs and wants of the customers.

**Customer Relations <Empathy> (V5)**

The manager and service team are responsible for serving and hearing out the voices of the customers’ regardless compliments or complaints. The service team should be able to serve professionally and even dialogue with the customers to get feedbacks, so the restaurants can continue improving in order to grow and sustain.

**Customer Loyalty (V6)**

Consumer behavior indicates that customers tend to return to a business for its goods and services when there is tension reduction after their goals and needs are fulfilled after the purchase. When the perception exceeds the expectation of the customers, then repeat patronizing be likely to occur.

***Propositions***

**Proposition 1 <Tangibles – Customer Loyalty> (P1)**

The ambience can provide a feeling of comfort and security for the customers, as they want to enjoy the food and drinks while relaxing. The ability to enjoy the meals reduces the tension of the customers and draws them to come back again.

**Proposition 2 <Quality Control of Menu – Customer Loyalty> (P2)**

In general, the menu is the purpose of customers coming to visit the restaurants. In order for them to make repeat visit again, the quality of the menu has to be monitored regularly. Menu innovation is also still required once in a few months to cater the infinite wants of customers who want to try new things. Sam and Bill are very peculiar

regarding the menu, and they pay attention to it to meet the customers' satisfaction and loyalty.

**Proposition 3 <Manpower Management – Customer Loyalty> (P3)**

The service team (waiters and waitresses) is one of the key factors that customers keep coming back. The manager usually spends much time making sure the service team is following the protocols of getting ready to serve the customers, so that the customers will be satisfied.

**Proposition 4 <Service Attitude – Customer Loyalty> (P4)**

When the service team is able to carry out its duty based on the protocols, and even sometimes improvise in certain unpredictable situations, the customers will be satisfied and be willing to come back again.

**Proposition 5 <Empathy – Customer Loyalty> (P5)**

The service team relates to the customers, knowing them by names or even what they like prefer for their menu. This requires training the service teams to make sure they are able to serve the customers well and even receive feedbacks from them. The manager usually also goes around the premises to talk with the customers and then make improvements by communicating with the chef and service team; however, most of the time, it is still the service team that will interact one-on-one with the customers, thus making the customers feel comfortable and then make repeat visit.

Table 1 – Service Quality in IPA component Quadrant Placement

No	Tangibles	Quadrant	Interpretation	Recomendation
1	Restaurant has comfortable settings and furniture.	B	Quality match expectations	Maintained
2	Employees appear neatly	C	Quality match expectations	Main priority
3	Restaurant is equipped with computerized data system.	B	Quality match expectations	Maintained
4	Restaurant is equipped with a cooling system (air-conditioning).	B	Quality match expectations	Maintained
5	Restaurant is spacious and pleasant to mingle.	C	Quality match expectations	Low priority
	<b>Reliability</b>			
6	When the restaurant promises to do something by a certain time, they do.	B	Quality match expectations	Maintained
7	When the customer has a problem, the restaurant shows sincere interest in solving it.	A	Quality match expectations	Main priority
8	The restaurant provided the right service at the first time.	B	Quality match expectations	Maintained
9	Services are provided upon the promise by the restaurant	C	Quality match expectations	Low priority

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10	There is no record of error during services.	B	Quality match expectations	Maintained
<b>Responsiveness</b>				
11	Employees guide the customers when they are ready to be served	A	The quality has not met expectations	Main priority
12	Employees give prompt service to the customers.	A	The quality has not met expectations	Main priority
13	Employees are willing to assist the customers.	B	Kualitas sesuai harapan	Maintained
14	Employees are never too busy in responding to the requests from customers.	B	The quality has not met expectations	Maintained
<b>Assurance of Reliability</b>				
15	The behavior of employees instills confidence to the customers.	B	Quality match expectations	Maintained
16	Customers feel safe and comfortable.	D	The quality has not met expectations	Over
17	Employees are always polite.	A	Quality match expectations	Main priority
18	Employees have the knowledge to answer the questions of customers.	A	Quality match expectations	Main priority
19	Employees are friendly when serving.	B	Quality match expectations	Maintained
20	Employees serve satisfactorily.	C	Quality match expectations	Low priority
21	Employees serve competently.	B	Quality match expectations	Maintained
<b>Empathy</b>				
22	Employees give individual attention to customers.	A	The quality has not met expectations	Main priority
23	Employees understand the specific needs of visitors.	A	The quality has not met expectations	Main priority
24	Employees serve with their hearts.	B	The quality has not met expectations	Maintained

<b>Concentrate here</b> <b>I/A,</b> <b>7,11,12,17,18,</b> <b>22 and 23</b>	<b>Keep and Maintain</b> <b>II/B</b> <b>1,3,4,6,8,10,13,14,</b> <b>15,19,21 and 24</b>
<b>Low Priority</b> <b>III/C</b> <b>2,5,9 and 20</b>	<b>Possible Over Service</b> <b>IV/C</b> <b>No.16 only</b>

Figure 2. IPA Quadrant of Service Quality Mapping

## CONCLUSION AND IMPLICATION

This study become the testament of the service providers (restaurants' management) toward the customers' satisfaction about the positive relationship between reliability and customer satisfaction. The attributes of the assurance, tangibles, empathy and responsiveness all have a positive relationship with customer satisfaction. In order to maintain the customers, the restaurants need to ensure that the best and the right products and services, supported by the management and owners to the right time for customers. While the quality of services that are important in today's competitive market, it is equally important that the customer experience. The needs of the customers in order to get the loyalty of the customers, resulting in repeat coming again to the restaurants and also the potential referrals. When a business focused on delivering what service quality to their customers, this will generate repeat business potential as well. assurance, tangibles, empathy and responsiveness all have a positive relationship with customer satisfaction. According to these findings; the *strategic service management* to sustain and growth of businesses know their customers needs. In order to help get loyal customers is to have the products and services that are very good and of course it is a compulsory to understand the customer needs regularly.

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