

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

In the business world, there are two options in determining the career of our life that is to become an employer or become an employee. Most young generations are motivated by the internet in this digital age to open up a startup business to start their careers and outperform their parents for example: Tokopedia, Traveloka, Go-Jek or maybe can build something different from those. Entrepreneurship is a mixture of creativity, innovation and courage to face the risks involved by working hard to establish and maintain a new business. Creative thinking and innovative behaviors that serve as the basis, resources, driving force, target strategies, tips and method in the face of life's challenges.

According to Afolabi (2015), entrepreneurship plays a significant role in a country's economic growth. It is also the capacity and desire to create, plan and handle a business venture alongside with everybody the risks to gain benefit. Some of the business that successfully developed by entrepreneurs will continue to expand as family business. A company is known a family business when it has at least two generations of a family and when this connection affects on business policy and on the interests and goals of the family. In the field of family business, entrepreneurial exploitation and discovery are characterized in and related to outcomes such as succession, novelty, competitive advantage, creation of wealth, performance of the firm, and existence (Martinez, et. al., 2017)

There are many challenges that are faced by companies including family business in the current fluctuating business situation today. The objectives of any business are to optimize performance, increase in sales, expansion, growth, product accessibility, product awareness, customer satisfaction etc. Profit maximisation however acts as the foundation of business objectives. In a similar view, the degree of maximisation of profit depends on the level of customer satisfaction. Therefore, company will develop a new strategy to make its customers satisfied in order to achieve this goal.

Customers can be identified as the person/organization who purchases goods & services. They are the most important asset of any company because they drive revenues, and business has nothing to offer without customers. According to Rosenberg & Czepiel (2017), customers will expect accurate and reliable information about products and services to be provided by company. Customer service is the capacity of an organization to understand and satisfy their customers wants and needs. It is assumed that knowing the condition of customer and need along with the right offering of products leads to high customer satisfaction and in effect a better running business.

Basically, customer satisfaction is a measure of how overall output of an organization performs in relation to set of customer's expectations. Waari (2018) contend that customers become satisfied the moment their experience supersedes their expectations. Satisfied customers serve as a good indicator of an organization that is creating customer loyalty. They are more likely to tell people about their experiences, so more dissatisfied customer will tell people about their

experiences as well. Customer satisfaction is the cornerstone upon which every company will achieve its goals.

In order to achieve business objective, the organization needs to understand the needs of the target market, and provide solution to satisfy and fulfil these needs to a greater extent, thus, building and maintaining long lasting and beneficial relationship with the target market. In other words, the degree of customer satisfaction reflects the rate at which organization goals are achieved. Customers that are satisfied tend to create a favourable and friendly relationship with the company.

CV. Jasa Sahabat Abadi is a tanker trucking company which specializes in agricultural and palm oil industry. The company was established in 2011 in North Sumatera region and had since expanded to Aceh, Riau, Dumai, and eventually the whole Sumatera region. The head office is located at Jalan Besar Kisaran Medan km 5,5 Kel. Sidomulyo Kec. Pulo Bandring, Asahan. CV. Jasa Sahabat Abadi is a partnership business which its day to day operation engages a lot with customer. Throughout 8 years of operation, the company has gained trust from many clients such as Asian Agri, Musimas Group, Permata Hijau Group and many more.

Currently CV. Jasa Sahabat Abadi is facing problem as there are many complaints come from the companies which is customers of CV Jasa Sahabat Abadi. It is known that the numbers of customers keep decreasing from the past few years as shown below:

**Table 1.1 Customer Data of CV Jasa Sahabat Abadi**

Year	Number of Customers	% Change	Customers Complaint
2016	55	-	7
2017	57	3.64%	5
2018	57	0%	8
2019	54	-5.26%	11
currently	52	-3.70%	9

Source: Prepared by the Writer (2020)

Based on the table above, it can be seen that numbers of customers keep decreasing from year to year. From the starting year, the numbers customers are 55 with 7 complaints and in the next year the company get another 2 new customers and maintain this number until 2018. However last year the number of customers keeps decreasing and become 52 in the current year with 9 complaints until this moment. Regarding this issue, the writer decided to interview some of the customers to find out their opinion about CV Jasa Sahabat Abadi. The writer found out that some customers are dissatisfied with the service provided by the company. The service provided by the company doesn't meet the customers' expectation as there are some late delivering time. It becomes the reason for the customers to switch for another competitor.

Jamaluddin & Ruswanti (2017) in their research mentioned that a company should develop a new strategy to make its customers satisfied in order to survive in competitive service industry. The loyalty of a customer to the organisation arises from the satisfaction received from the consumption, uses or services received from the organisation. In this contemporary setting, the essential essence of understanding the degree of customer loyalty to a company is a requirement to create and sustain favourable relationship. In other words, customer loyalty is a driving force necessary to create successful relationship.

However, customer loyalty is more dependent on the degree of satisfaction gained from the product or success of the organization. Building customer loyalty is not an option in business; it is the one way to achieve competitive quality in a sustainable manner. Essentially, satisfied customers will have the potential to repeat purchases over and over again. Maximizing the satisfaction of the customers in order to be loyal customers has its advantage rather than looking for new customers which can cost more than retaining the old customers (Ibojo & Asabi, 2015).

Therefore, customer satisfaction and loyalty should be built into a company long-term goal. Customer satisfaction is a key element for any organization that wishes to improve customer loyalty and achieve a better business. Organisations can maximise their profit with loyal customers as loyal customers are willing to buy more frequently, spend money trying new products or services, recommend products and services to others.

Realizing the importance of customer satisfaction for a company to improve customer loyalty, the writer decides to conduct a research entitled “**The Impact of Customer Satisfaction towards Customer Loyalty at CV Jasa Sahabat Abadi**”

## **1.2 PROBLEM LIMITATION**

Based on the context of the above research, due to time ability, and knowledge, the research would like to limit the research to customer satisfaction as independent variable and its relation to customer loyalty as dependent variable at CV. Jasa Sahabat Abadi that located at Jalan Besar Kisaran Medan km 5,5

Kel. Sidomulyo Kec. Pulo Bandring, Asahan. Research will be based on the indicators of customer satisfaction such as emotional dimension, affective dimension, cognitive dimension and behavioural dimension (Kahwaji & Almubayed, 2016) and customer loyalty variables with the indicator such as customer return, makin referrals and positive word of mouth, less switch to competitors and make more purchase (Ayodele & Esiti, 2016). The data retrieval process will be done by giving questionnaire to the customers and data will be analyse by simple linear regression using SPSS.

### **1.3 PROBLEM FORMULATION**

Based on the background study, the writer is interested to do research on customer satisfaction and its influence on customer loyalty by asking the following research questions:

1. How is the condition of customer satisfaction at CV Jasa Sahabat Abadi?
2. How is the condition of customer loyalty at CV Jasa Sahabat Abadi?
3. Is there any impact of customer satisfaction towards customer loyalty at CV Jasa Sahabat Abadi?

### **1.4 OBJECTIVE OF THE RESEARCH**

The objectives of this study are as follows:

1. To investigate the condition of customer satisfaction at CV Jasa Sahabat Abadi.
2. To find out the condition of customer loyalty CV Jasa Sahabat Abadi

3. To investigate whether customer satisfaction has impact towards customer loyalty at CV Jasa Sahabat Abadi.

## **1.5 BENEFIT OF THE RESEARCH**

This research is expected to provide some benefits either theoretically or practically as follows:

### **1.5.1 Theoretical Benefit**

This research uses the theory of customer satisfaction and customer loyalty. It is hoped that after finishing this research, there will be contribution on the theory that can contribute to the development of management theory, especially on customer satisfaction and customer loyalty at family business. The writer hopes that this research will become a benchmark for other researches.

### **1.5.2 Practical Benefit**

The following are the practical benefits from this research:

1. For the writer, this research could broaden knowledge; give more experience about customer satisfaction and customer loyalty in real-life case and also identify whether customer satisfaction has impact towards customer loyalty.
2. For the company itself, this research could give solutions on how to improve, and gain insight on the impact of customer satisfaction towards customer loyalty which may increase the company profitability and for development on the company itself.

3. For other researchers, this research can be used by companies and industry for their improvement in which, they know how to improve customer satisfaction and company itself understand what can support their performance area.

