

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

In today's modern competitive, fast paced and global economy, a company has to consider its customers more than ever. The increasing power of the customer and fierceness of the competition mean that many organizations are seeking their marketplaces and profit margins eroded. 'The challenge for business today is to move from product orientation to customer focus. This is becoming more difficult because now customers are increasingly sophisticated, educated and well informed. They have high expectations of the service they want to receive. They want greater choice and will not be 'sold to' or manipulated. Therefore, customers nowadays are willing to be treated as individual. They want to be valued and to feel their custom important.

During the past three decades, academics have spent significant time and effort trying to understand perceived quality and its impact on business performance. A growing number of studies suggest that quality goods and services will result in higher profitability and business growth. However, as suggested by the experts, despite nearly two decades of research on quality improvements efforts, the relationships between customer perceptions of quality and financial outcomes are still being debated. The link between service quality and organizational profitability is indirect and mediated by various complex variables such as consumer satisfaction, consumer retention, perceived value, operations costs, revenues, and market share.

Services are economic activities between two parties, implying that value is created for both seller and buyer. Customers buy services because they are looking for desired results (both functional and experiential). In fact, many firms explicitly market their services as "solutions" to prospective customers' needs. While customers expect to obtain value from their service purchases in exchange

for their money, time, and effort, this value comes from a variety of value creating elements rather than transfer of ownership. (Lovelock and Patterson, 2015)

In the service industry, definitions of service quality tend to focus on meeting customers needs and requirements and how well the service delivered meets their expectations. In order to deliver and maintain service quality, an organization must first identify what it is that constitutes quality to those whom it serves.

Delivering quality service is one of the major challenges that they are facing. It is an essential condition for success in the emerging keenly competitive and global markets. Quality is the key to achieving customer satisfaction. Quality is a dynamic state associated with products, services, people and environments that meets or exceeds expectations. Quality is also rapidly embracing the nature or degree of impact an organization has of its stakeholders, environment and society.

In the world of business, especially which is active in service, satisfaction of customer is a very important element and also determine in maintaining and also growing to develop company. So the problem of service quality becoming an important factor in determining efficacy of a business.

Quality is one of the main factors determining product selection for customers. Customer satisfaction will be achieved if the quality of products provided in accordance with their needs. "In the past decade, service quality has gained much attention for the company. Quality issues are now not only the only weapon of competition but have become "tickets to be paid" to enter the business world. This is because the quality of services can be used as a tool to achieve competitive advantage." (Suryadharma and Nurcahya, 2015).

According to Harms (2014), a company is considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family.

Family Business Gobar Petshop Medan which located on Glugur street No.2, Medan Petisah, North Sumatera is one of a family business offers grooming service for pets such as dogs or cats, selling pets toys and also train dog. It is a

good place for dog toys, dog beds, leashes, collars, and dog food. It is important to remember that a pet shop is a commercial business where making money is their first and foremost concern.

Based on the data primer which is taken from the company inside, CV.Gober Petshop Medan's customers has decreased in this few years which can be seen in the table below:

**Table 1.1 Number of Customers at CV.Gober Petshop Medan in 2013-2017**

Year	Number of Customers	% Change
2013	2484	-
2014	2375	- 4.39 %
2015	2256	- 5.01 %
2016	2194	- 2.75 %
2017	2204	+ 0.46 %

Source:( prepared by the cowriter Gober Petshop Medan (2018)

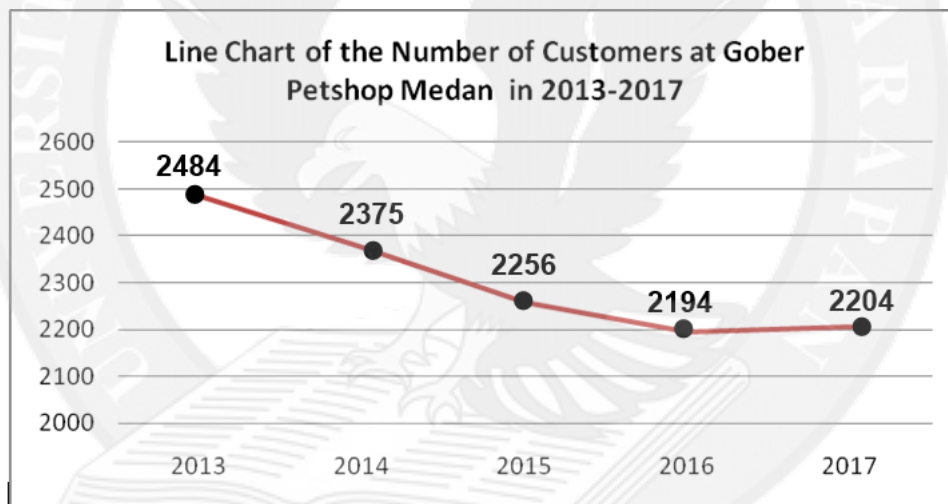


Figure 1.1 Numbers of Customers During 2013-2017  
Source:prepared by the writer (CV.Gober Petshop Medan ,2018)

The table above shows that the number of customers tend to decrease, during 2013-2017. However in 2016-2017, there is a small increasing number of customers. The decline in the number of customer that occurred during 2013-2016 occurred due to an indication of the decline in the quality of services provided by Gober Petshop Medan.

The decline in the number of subscribers is also indicated because of the many viral news in social media and the internet, where there are some customers who are disappointed because their pet dogs died while being treated at Gober Petshop Medan. Bad news like this even got the first rank in google searching with keyword “Gober Petshop Medan”. This is an omission and one of the decreasing quality of service provided by the Gober Petshop Medan.

In modern business philosophy, business should be customer oriented and the implementation of the main principles of continuous improvement, justifies the importance of evaluating and analyzing customer satisfaction. In short, customer satisfaction is considered as baseline of standardize and excellence of performance for many business. It also helps to identify the potential market opportunities.

Customer satisfaction is significantly influenced by the customer’s evaluation of product or service features. Thus, firms also study concerning satisfaction what features and attributes of their services customer measure most and that firms measures the perceptions of those features and overall service satisfaction.

There are also several of bad comments on the internet about the services provided by Gober pet shop, from the comment it stated that the services provided by Gober pet shop are not professional and, in some case customer feel that they are cheated to the trust they given to Gober pet shop

Based on the explanation above, through this research the writer will analyze the quality of services at the Gober Petshop Medan to find out what is actually expected by the customer and and the impact to the customer satisfaction, thus the researcher writes it in this thesis entitled “**The Impact of Service Quality Towards Customer Satisfaction at Family Business Gober Petshop Medan**”.

## **1.1 PROBLEM LIMITATION**

In order for research conducted more focused and easily in collecting and processing data, the scope of research is limited as follows. There are so many

family businesses in Medan city. This study only examines one of the family businesses in Medan, which is only limited to Family Business Gober Petshop Medan. There are also some data that cannot be provided by the company and its confidential to which company business they distribute their product

The variables focused in this research are service quality as independent variable and customer satisfaction as dependent variable.

## **1.2 PROBLEM FORMULATION**

Based on the description on the background of the study above, the problem formulation in this study are as follows:

1. How is the service quality at Family Business Gober Petshop Medan?
2. How is the customer satisfaction at Family Business Gober Petshop Medan?
3. Does service quality have impact on customer satisfaction at Family Business Gober Petshop Medan?

## **1.3 RESEARCH OBJECTIVE**

The research objective are as follows:

1. To evaluate the service quality at Family Business Gober Petshop Medan.
2. To describe the customer satisfaction at Family Business Gober Petshop Medan.
3. To identify whether service quality have impact on customer satisfaction at Family Business Gober Petshop Medan.

## **1.4 BENEFIT OF THE RESEARCH**

### **1.4.1 Theoretical Benefit**

Theoretically, the results of this study are expected to be useful to strengthen the theory about marketing, especially about the influence of service quality to the level of customer satisfaction at a family business company.

### **1.4.2 Practical Benefit**

The practical benefits expected from this research are as follows:

1. For the writer

This research can provide an overview and knowledge about management marketing, especially about the influence of service quality towards customer satisfaction at a family business.

2. For the company

This research is expected to be used as a suggestion to give more attention about reliability, responsiveness, assurance, empathy and tangibles aspect in order to fulfill the level of customer satisfaction.

3. For other researchers

The results of this research are expected to be used as a source of references who concerned in conducting related research in the future.

## **1.5 SYSTEM OF WRITING**

The researchers compiled the writing with the following details:

### **CHAPTER I : INTRODUCTION**

This chapter contains the background of the study, problem limitation, problem formulation, research objectives, benefit of the research, and systems of writing.

### **CHAPTER II : LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

This chapter contains theoretical background, previous research, hypothesis development, research model, and framework of thinking.

### **CHAPTER III : RESEARCH METHODOLOGY**

This chapter will describe the research design used, the object of research, the method of data collection performed and the method of data analysis.

### **CHAPTER IV : DATA ANALYSIS AND DISCUSSION**

This chapter describes the overview of the research objects discussed in this study and describes the data analysis and the detailed discussion.

#### CHAPTER V : CONCLUSION

This chapter contains the conclusions of what has been described in the previous chapters, and also contains suggestions for improvement for implication research development related to this research topic.

