

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF STUDY

Indonesia's footwear industry has a long history. It started in 1940s when Bata the footwear manufacturer from the foreign market began to establish its new production factory in Indonesia, and the late 1960s marked the beginning of production for the domestic market. Since then Indonesia's footwear industry has continued to grow. The grow was so significant to the point that Indonesia itself has legalized an organization about Indonesian footwear called Indonesian Footwear Association or Asosiasi Persepatuan Indonesia known as APRISINDO in the year of 1988 as vehicle to maintain the development of the shoe industry in all its aspect. In various industrial locations throughout the country a broad variety of footwear products are currently being manufactured both for the local market and foreign market making the footwear industry an important asset in Indonesia's manufacturing sector.

Such claim can be proved by the evidence of existence of some of the international companies in the footwear manufacturing sector such as Nike and the likes including those from China and South Korea that have production and footwear manufacturing in Indonesia, thus, creating more opportunities for labor jobs for the local population (Indonesia Investment, 2017).

With those occasions of opportunities, it has currently put Indonesia in one of the fifth place in the world as the largest footwear exporter. On that scope however, Indonesia has the most minimum market share scoring at 4.4% in the footwear market during the year of 2017 (Indonesia Investment, 2017).

According to BKPM (Indonesia Investment Coordinating Board) Indonesia however, have broad opportunities to improve their market shares internationally due to ideal labor financial

reward due to the interlinking factors including of high level of population looking for income and lower standard of living. Therefore, allowing footwear manufacturer to improve the quality of the products through material or design while withholding the same production costs. The improved quality with no obvious changes to the financial sacrifice for the consumption will satisfy the customer more. Moreover, Indonesia has a geographical advantage being in the high growth region of the world as well as its close proximity to large markets such as China and India making it the ideal production hub for international footwear brands such as Nike, Adidas, Reebok, and other.

Regarding of the demand of shoes, although the demand is not showing a significant growth in 2017, but according to Badan Kependudukan dan Keluarga Berencana Nasional (BKKbN), ladies' growth of population has increased and is expected to rise more in the future. This statement on the population of ladies in the world is important to note due to the aggregate consumption of shoes throughout the eras that shows higher consumption of footwear from the female customers compared to the male counterpart.

Juran (1998, p. 2.1) states that quality means those features of products which meet customer needs and thereby provide customer satisfaction. This scope of subject is interesting because despite the limited knowledge that the people know of Bata, Bata continued to survive in the Indonesian market until today. It speculates that there must have been a substantial favoritism to Bata for it to exist contemporarily in this age of footwear industry.

The company of Bata is being choose in this research because, Bata claim on product quality as its core values and Bata also remains the leading footwear player in Indonesia and consumers perceive Bata shoes as being affordable and offering good quality. With the company having operated in Indonesia for

decades and thus gaining strong brand image and awareness, Bata Shoes was selected and awarded by Top Brand Award.

**Tabel 1.1 Top Brand Index
Category in Casual Shoes**

SEPATU CASUAL

MERЕК	TBI	TOP
Bata	19.3%	TOP
Nike	12.2%	TOP
Adidas	11.2%	TOP
Fladeo	6.5%	
Converse/ All Star	6.3%	
Yongky Komaladi	4.7%	

**Tabel 1.2 Top Brand Index
Category in Sandals (2017)**

SEPATU SANDAL

MERЕК	TBI	TOP
Bata	18.0%	TOP
Carvil	13.2%	TOP
Eiger	6.9%	
Yongky Komaladi	6.6%	
Fladeo	5.2%	
Kickers	4.5%	

Source: <http://www.topbrand-award.com>.

This company “Bata” is the ideal example to this title of this research which is **“The Effect of Quality on Customer Satisfaction of Bata in Thamrin Plaza Outlet in Medan”** because of its performances on quality that it has on customer satisfaction.

This research title also being support by Juran’s book, which states that quality means those features of products which meet customer needs and thereby provide customer satisfaction.

1.2 PROBLEM LIMITATION

The writer realized that this research was still far from perfection due to the limitations and lack of abilities, facilities, times and knowledge, therefore the writer only examined the effect of quality to customer satisfaction on Bata in Thamrin Plaza outlet in Medan and the variables that the quality using are physical quality, interactive quality and corporate quality. The variables of customer satisfaction are emotional dimension, affective dimension, cognitive dimension, and behavioral dimension.

1.3 PROBLEM FORMULATION

From the research, the writer found problems as follow:

1. What is the relationship between quality and customer satisfaction?
2. How is the Bata customer's satisfaction regarding on Bata footwear quality?

1.4 OBJECTIVE OF THE RESEARCH

The objective of this research is the following:

1. To understand the relationship of quality toward customer satisfaction.
2. To discover the confirmation and the level of Bata customer's satisfaction in regard to its quality.

1.5 BENEFIT OF THE RESEARCH

The benefit of this research is divided into two which is theoretical benefit and practical benefit.

1.5.1 THEORETICAL BENEFIT

The theoretical benefits of this research are as follows:

1. The writer benefits from the exploration of the research which expands the scope of knowledge of the relationship of quality toward customer satisfaction and put the facts research through quantitative analysis.
2. The audience's benefit of this research is to educate the importance of the theoretical knowledge of the focus of the research referenced.

1.5.2 PRACTICAL BENEFIT

The practical benefits of this research are as follows:

1. To inform the Bata establishment in Thamrin Plaza that the variable of quality does effect customer satisfaction.
2. To show Bata the comparative advantage of their quality and the opportunities to future enhance or improve their customer's satisfaction.

3. To set as a standard and reference for other researchers to compare with the investigation that relates or is similar to this particular research.

1.6 SYSTEMS OF WRITING

The writer will discuss 5 chapters in this script as follow:

Chapter I: Introduction

The introduction of this script consist of background of study, problem limitation, problem formulation, objective of the research, benefit of the research, and system of writing.

Chapter II: Literature Review

The literature review of this script consists of the theoretical background, previous research and the framework of thinking.

Chapter III: Research Methodology

This chapter possesses of the research design, research object, data collection method and data analysis method.

Chapter IV: Data Analysis and Discussion

In this chapter it will discuss about general view of research objective and data analysis and discussion.

Chapter V: Conclusion

This chapter of this script contain of conclusion, implication and recommendation.