

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

A business has to consider its customers more than ever in today's modern competitive, fast-paced, international economy. The customer's growing strength and the fierceness of the competition indicate that many organizations are seeking their market places and eroding profit margins. Nowadays, companies are being forced to adopt a customer-focused approach that increases the significance of customer-related constructs such as the satisfaction of customer and quality of service in explaining the company performance due to the increased competition and basic changes in the business field (Minh & Hu 2016).

Every business organization's success can be measured through how satisfied the customers are. Whenever a startup or big business, profit always comes after customers. The businesses which are in the high position in the market are the ones that are successful in satisfying the customers. Customer satisfaction is vital to the business' achievement as well as taking on a crucial position in expanding the market value. Customers are generally those individuals who purchase products and services from the market or company that fulfill the customers' needs and wants. Customers buy goods or services in order to satisfy the expectancy after purchase. The businesses need to decide the product or service quality with the cost which will attract the customer and retain a relationship in the long-term. (Khadka & Maharjan 2017).

Organizations need to ensure complete service is provided, equal to its monetary value. This will increase the customer number which will lead to the long-term customer-organization relationship. In addition, the current customer will help to gain the fresh or new buyer by offering or exchanging the information about the organizations' products and services. Satisfaction

means feeling pleased based on what the consumer received or wanted. It is hard to understand whether the customers are feeling satisfy to the goods or service availability. In order to increase the satisfaction of customers, quality of service is one of the matters that organization need to focused on.

Services are business activities that happen among two parties that are willing to create value for both seller and buyer. Customers purchase services as they are looking for desired results such as experiential and functional. Indeed, many companies are explicitly marketing their services as alternatives to the requirements of potential customers. Instead of ownership transfer, all the expected value from customer from the service purchase in exchange for time, money and effort arise from a variety of the creating components value. (Lovelock & Patterson, 2015).

In the business globe, which is particularly involved in service, customer satisfaction is a very significant aspect and also determines how to maintain and grow a business. Thus, the service quality issue becomes a crucial matter in determining efficacy of the company.

The main factor in determining product selection for customers is quality. The satisfaction of customer will be achieved if only the quality of products available appropriate 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 & Nurcahya, 2015).

Business should be customer oriented in modern business philosophy and implementing the continuous improvement as the primary principles confirm the benefit to assess and analyze the satisfaction of customers. In brief, for many companies, the satisfaction of customers is seen as a guide of standardization and performance quality. It also enables the future market opportunities to be identified.

The satisfaction of customer is affected significantly by the assessment of product or service characteristics by the customer. Therefore, companies also research with regard to satisfaction what features and attributes of their customer services most measured and that companies evaluate perceptions of those features and overall service satisfaction.

According to Harms (2014), family business is the business that strongly identified with two generations of family at least which the connection on two ways influence on company policy, the interests and objectives of the family.

PT. Top Remit Medan which is located at Asia Street No.23/55, Sei Rengas I, Medan City - North Sumatera is a type of family business. The company focuses on solving the largest issue in transferring cash across borders. Trust problem, , hidden fee, long queue was a significant problem they solved. The company began quite small in 2009 where they could only send between Indonesia and Malaysia. The company has gradually extended to many nations today and is working in every nation with leading bank and payment provider. They believe there is a better way of transferring money in a more efficient and simple way without having to queue in counter and not to mention the high mark up fee and safety reason. The company wants to make this task more transparent and secure with a desire to enhance society participation.

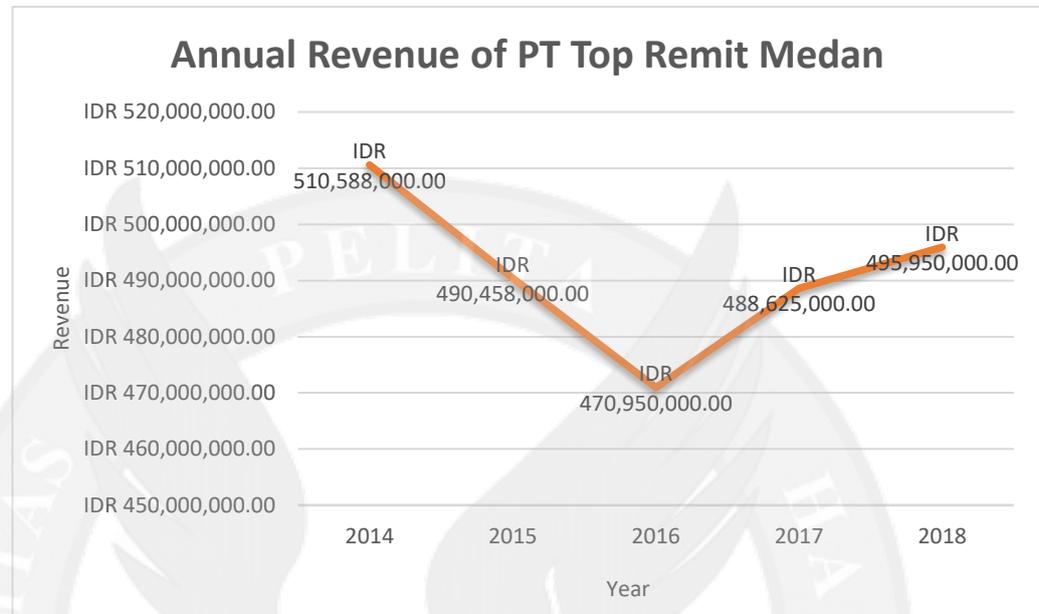
**Table 1.1**  
**Annual Revenue of PT Top Remit Medan (Year 2014-2018)**

Year	Revenue	% Change / Year
2014	Rp 510.588.000	-
2015	Rp 490.458.000	-3.94%
2016	Rp 470.950.000	-3.98%
2017	Rp 488.625.000	3.75%
2018	Rp 495.950.000	1.49%

Source: Prepared by the Writer (PT Top Remit Medan, 2019)

The table 1.1 above is the data of annual revenue of PT Top Remit Medan from 2014 until 2018. The table also provide a percentage change of revenue every year start from 2014 until 2018. The table shows that the revenue of PT Top Remit is unstable / inconsistency.

For the further analysis, the writer will draw a graph of annual revenue of PT Top Remit Medan from 2014 to 2018.



**Figure 1.1 Annual Revenue of PT Top Remit Medan (2014-2018)**

Source: Prepared by the Writer (PT Top Remit Medan, 2019)

Based on the table 1.1 and the figure 1.1 above, there is the problem where every year the revenue of PT Top Remit Medan is quick unstable and still below the revenue on 2014. Moreover, the revenue was increasing at decreasing rate from 2016 to 2018. This has posed another question whether the revenue will start decreasing again as in the previous years. Moreover, based on the interview result, there are some customers complaint about the time accurate where sometimes the money delivered not on time and the website is also can be error.

The writer want to analyze that whether if the customer complaints will has a relationship with service quality which will lead to the satisfaction of customers. Because of the fluctuating and inconsistency of the revenue from year to year and the customer complaints the writer is interested to discover whether it is their service quality have effect on customer

satisfaction of PT Top Remit Medan which will lead to a higher revenue and long term success.

PT. Top Remit Medan is a remittance company that located on Asia Street No.23/55, Sei Rengas I, Medan City - North Sumatera. A remittance business is a world wide money transfer service for everyone with a growing transaction across the countries. In this study, the researcher wants to analyze PT. Top Remit Medan in case to discover whether the quality of service has influence /effect on the satisfaction of customer at Family Business PT. Top Remit Medan, thus write it in this thesis entitled “**The Influence of Service Quality On Customer Satisfaction at Family Business PT. Top Remit Medan**”.

## 1.2. Problem Limitation

In order for the research to be more focused and easier in collecting and processing data, the scope of research is limited. There are so many family businesses in Medan. This study only examines one of the family businesses in Medan, which is PT. Top Remit Medan. There are two variables that are being studied in this research, they are: independent variable (variable X) which is service quality and the dependent variable (variable Y) is customer satisfaction.

Each of independent variable (variable X) which is service quality and dependent variable (variable Y) which is customer satisfaction have their own indicator. According to Parasuraman et al. (1985, 1988) in Saghier (2015), the service quality indicators can be divided into 5 which are tangibility, reliability, responsiveness, assurance and empathy while for those of customer satisfaction indicators according to Hawkin and Lonney (2014) in Kusumasitta (2014) can be divided into 5 which are overall customer satisfaction, expectation, interest in repurchase, willingness to recommend and customer dissatisfaction.

### **1.3. Problem Formulation**

Based on the description on the research background, the research issues in this study are as follows:

- a. How is the quality of service at PT Top Remit Medan?
- b. How satisfied are customers at PT Top Remit Medan?
- c. Does service quality have influence on customer satisfaction at PT Top Remit Medan?

### **1.4. Objectives of the Research**

The aims in doing this study is as follows:

- a. To evaluate the service quality of PT Top Remit Medan
- b. To describe how satisfied customers are at PT Top Remit Medan
- c. To analyze whether service quality has influence on the customer satisfaction at PT Top Remit Medan

### **1.5. Benefits of the Research**

#### **1.5.1. Theoretical Benefit**

The result of the research will develop and expand the insight knowledge in academic area, especially on service quality and customer satisfaction.

#### **1.5.2. Practical Benefit**

1. For the writer, the research will provide more understanding and experience about quality of service and the satisfaction of customer in the context of real life.
2. For the company, the research will offer recommendation for the company to improve the service quality and customer satisfaction.
3. For other researchers, the results of this research can be used as references for studies in the similar specialty.

## 1.6. System of Writing

The following is the systems of writing in this paper:

### **Chapter I Introduction**

This chapter examines the research background which explain the reason why does the writer choose “The Influence of Service Quality Toward Customer Satisfaction at Family Business PT. Top Remit Medan” as the topic of the research, Problem Limitation, Problem Formulation, Research Objective, Research Benefit which consist of Theoretical Benefit and Practical Benefit, and Systems of Writing

### **Chapter II Literature Review and Hypothesis Development**

This chapter consist of theoretical background regarding the definition of Entrepreneurship, Family Business, Service Quality, Types of Service Quality, Benefit of Service Quality, Maintaining Service Quality, The Dimension of Service Quality, Definition of Customer Satisfaction, The Factor that Influence Customer Satisfaction , The Dimension of Customer Satisfaction and The Relationship between Service quality and Customer Satisfaction, Previous Research, Hypothesis Development, Research Model and Framework of Thinking

### **Chapter III Research Methodology**

This chapter discusses about Research Design, Population and Sample, Data Collection Method, Operational Variable Definition and Variable Measurement, Data Analysis Method, Descriptive Analysis, Mean, Median, Mode, Validity Test, Reliability Test, Normality Test, Correlation Test,

Determination Coefficient, Linear Regression Analysis and Hypothesis Test

#### **Chapter IV Data Analysis and Discussion**

This chapter describes General View of Research Object, Brief History, Generation Stage, Customers of PT Top Remit Medan, Vision and Mission, Organization Structure, Data Analysis, Descriptive Statistic, Result of Data Quality Testing, Validity Test Result, Reliability Test Result, Normality Test, Result of Hypothesis Testing, Coefficient of Correlation and Determination, Simple Linear Regression Analysis Hypothesis Test and Discussion

#### **Chapter V Conclusion**

This chapter will be the brief Conclusion for the result of the research, the Implication and also the Recommendation and Suggestion in the future

