

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Customers have always been a very crucial part of a business. It is not hard to change to another seller or supplier if the products sold are general products that everybody else is selling. That is why companies need to maintain their customer's satisfaction. It is very important because it is one of the factors that keep your customer loyal to you. To keep their loyalty, you need to make sure that you are fulfilling their demands. By fulfilling their demand, it means you are making them satisfied with your product or services.

In business world nowadays, maintain customers becoming one of the major problems that faced by almost every company. For, every business has a lot competitor due to small amount of varieties of businesses that can be done by others. That is why customers play an important role so businesses able to survive and to become successful. They are there not only to help companies achieve current sales goals but will also help the company's long-term growth.

To be able to maintain customers, there must be a need to make your customer satisfied with your company. Maintaining customers are hard, because changes in taste always occur. What customer need, what customer wants, it is all depending on what is currently happening in the environment. They have a lot to choose from, while company can only do their best so that they can maintain their customers. If you don't care about customers' satisfaction, don't expect them to care about your services or products.

According to Khadka & Maharjan (2017) one of the crucial things to ensure is that providing best quality products in this competing market. When customers' satisfaction is earned, customer loyalty will also come along with it. If there is no customers, there will be no business organization. In order to increase the number of customer, developing customer satisfaction is very

important. In terms of achieving business goals, these two terms are very important. Hence, the relation of customers and the business organization or market is, therefore, the most important one.

To satisfy customer's needs, expectations, preferences and behaviour is not easy and knowing those things does not guarantee success on the market. Consumer behaviour is not rational. Consumers that make a purchase of a certain good, usually have already clarified requirements referring to its quality, purpose or use. They do not pay for the product in a physical sense, but they pay for value or what they expect from the product and service. Expectation have a different scope and sometimes they could be very overstated or quite modest. That is why taking a decision by the consumer is preceded by initiating and defining the customer's specific needs.

From the text above, it can be concluded that they are being loyal because they received what they have actually expected. Customer who is satisfied with the company most likely will come back. That is why fulfilling customer's needs and wants are very important for the business growth. By customers coming back, it helps the company to achieve goals and continue to expand the market share. They expand the business market share by recommending other to purchase from the company.

According to Griffin on Priansa (2017), when loyalty is achieved, repeat purchase regularly, across product and service line, referral, an immunity towards the pull of competitors will also come with it. That is why, loyal customer are the most valuable assets a company can have. Because customer loyalty is equal to repurchase and your valuable advertisement.

PT Sinar Abadi Motorindo is a family business which focused on distributing China's brand motorcycle spare parts. They also did their own branding. It is located in Jl. Selamat No.32 Medan. For PT Sinar Abadi Motorindo, loyal customers are very much treasured, because there are a lot of competitors in this field. It is not easy to maintain customers when they have a lot of option to choose from.

PT Sinar Abadi Motorindo trying to fulfill customers' needs by having large variety of products and it is in stock. So, their customers have easy access to products they needed. By doing that, they are trying to satisfy their customers. As the numbers of customers growth, maintaining them is a challenge to them. Because not every customers want the same product with the same quantity. From the survey, researcher found that, PT Sinar Abadi Motorindo need to make a good planning on what product they need to have on hand. So that they can minimize their customers to not turn away to their competitors.

Table 1.1 Numbers of Returning Customers in Medan at PT SinarAbadi Motorindo

Month	Numbers of Returning Customer
October 2018	81
November 2018	79
December 2018	75
January 2019	72
February 2019	71
March 2019	69

Source: PT Sinar Abadi Motorindo (2019)

Based on the table above, it is showing that there is a decrease in number in returning customer at PT Sinar Abadi Motorindo since October 2018 until March 2019. If the numbers keep going downhill, this will have a bad impact on PT Sinar Abadi Motorindo. Therefore, the writer is interested in finding out the main problem faced by PT Sinar Abadi Motorindo.

Therefore, the writer had done interviews with 3 of PTSinar Abadi Motorindo's customer in Medan that had not repurchase in these few months (the interview was done in January 2019). First is Mr.K, he had not repurchase from PTSinar Abadi Motorindo for 3 months, and he said that he did not buy from PT Sinar Abadi Motorindo is because he had issues with availability of

the product, PT Sinar Abadi Motorindo in his past few months experience often did not have what he was looking for.

The second one is Mr.A, he usually purchases from PT Sinar Abadi Motorindo regularly, but have not did it in these 2 months. He also had same issues with Mr.K, which facing problem with availability of the product, he also said that, even though he can still buy the product from PT Sinar Abadi Motorindo, he needed to wait quite a long time to have the product on hand, that is why he is choosing another company instead.

Lastly is Mr. T, he said that PT Sinar Abadi Motorindo do have a very competitive price. It is quite a great deal to purchase from PT Sinar Abadi Motorindo in the sense that they can buy the product in much cheaper price, but it is hard to get the product that they are looking for because the stock of the company did not fulfil demands of customers. It can be concluded that customers are not satisfied with PT Sinar Abadi Motorindo on the availability of the products and services.

Based on the descriptive above, it is necessary to conduct research with the title **“The Effect of Customer Satisfaction Towards Customer Loyalty at PT Sinar Abadi Motorindo in Medan”**

1.2 PROBLEM LIMITATION

Due to limitation of time and knowledge in doing *skripsi*, writer will be focused on Customer Satisfaction as the independent variable (Variable X). Which indicator of Customer Satisfaction based on Tjiptono and Chandra in Priansa (2017) are Product, Price, Promotion, Location, Services, Facility and Situation. The dependent variable (Variable Y) is Customer Loyalty which the indicators based on Griffin in Priansa (2017) are makes regular repeat purchases, purchase across products and service lines, refers the product to others and demonstrate an immunity to the full of competition.

1.3 PROBLEM FORMULATION

Based on problem mentioned in the background of study, the writer forms the problem limitation as “Does customer satisfaction effect customer loyalty at PT Sinar Abadi Motorindo Medan?”

1.4 OBJECTIVE OF THE RESEARCH

The objective of this research is to know whether there is an effect of customer satisfaction towards customer loyalty at PT Sinar Abadi Motorindo in Medan.

1.5 RESEARCH BENEFIT

Benefit of this research can be listed as follow:

1.5.1 THEORETICAL BENEFIT

Here are the theoretical benefits :

1. Enhance the academic understanding of customer satisfaction that affects the development of the company by measuring the customer loyalty.
2. To increase the academic understands of the effect of customer satisfaction towards customer loyalty.

1.5.2 PRACTICAL BENEFIT

- a. For the writer, it helps the writer to understand more regarding how to make an essay, and gain understanding about the problem being researched with a solution being learn, and on the relationship between the problem research in the paper.
- b. For the company, it helps them to understand about how crucial customer satisfaction is to make customer loyal.

- c. For other researchers, it helps them as a foundation to their research and increases their insights about customer loyalty and customer satisfaction to draw a better conclusion in their research, and also it gives them more perspective about the topic of the research to strengthen their own research.

1.6 SYSTEMS OF WRITING

Chapter I : Introduction

In this chapter, the writer describes about the background of the study, problem limitation, problem formulation, objective of the research, benefit of the research, theoretical benefit, practical benefit, and systems of writing.

Chapter II : Literature Review and Hypothesis Development

In this chapter, the writer explains about theoretical background, previous research, hypothesis development, research model and framework of thinking.

Chapter III: Research Methodology

In this chapter, the writer will discuss about the research design, population and sample, data collection method, operational variable definition and variable measurement and data analysis method.

Chapter IV: Data Analysis and Discussion

This chapter show the general view of research object, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing and discussion.

Chapter V : Conclusion

This chapter contains the conclusion as the results of the whole study and the implication in this research, it also includes recommendations of overcome problem.