

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

Nowadays, many companies want to expand their businesses. National economy used to be independent establishment where it is remoted by barriers to cross-border trade and investment. Distance, time zones, languages, the differences in government regulation, culture, and business systems between countries also give effects on business development. Since transportation and telecommunication technology are getting more advanced these days, cross-border trade and investment can be performed easier as the barrier such as distance can be handled better. Hence, globalization happens, in which it is a process where cultures are blended and national economies have become consolidated and dependent global economic system (Hill, 2014, p. 4). By the existence of globalization, businesses concentrate more about their quality, and strive to come up with innovative products and competitive prices. It can also be called as global competition.

In this globalization era and growth of economy, many companies perform export activities by sending their local products globally as many as they can. Exporting is the act of selling products or services that are produced in one country to another country (Entrepreneur Asia Pasific, 2019). An economy can flourish if export is conducted well. In addition, many large companies in the world obtain considerate amount of annual revenues based on the export that they have done.

The company produce and can conduct any export activities as necessary. Many companies think about the strategies on how to make their products able to go international. One way to make the product go international is export. One of the reasons why companies can export their products abroad is because the companies have unique products with little or no international competition. Moreover, if companies do the exporting, it means that they have experienced success in selling. In addition, the company also adjusts strategies and plans for communication and distribution to enter

the market and meet the demand. The companies must also comprehend the environment of their target markets. The good thing that comes with companies doing exporting is that the companies can obtain knowledge and experience regarding foreign competitors, new technology and foreign marketing practices.

A trade barrier in export is basically a law, regulation, policy, or practice that is created by government with intention of protecting domestic products from foreign competition. The most general way in trade barriers is by limiting, restricting or hindering international exchange of products and services. Some challenges may arise because of that, for instance, the differentiation of customers' tastes and preferences may trigger pressures for local responsiveness. Their infrastructure, business practices, distribution channels, and host-government can also affect that. Therefore, it is better if companies are locally responsive by showing how they are able to differentiate their products and marketing strategy from country to country to accommodate those factors (Hill, 2014, p. 432).

Performing export can cause more costs and financial risks compared to doing sales in locals only. It is because companies must conduct adequate research and manage wisely on their resource allocation to ensure they can meet the demands and regulations. Product modifications may also be necessary. As for the payment method, export has a more elaborate system in which payment process such as open-account, letter of credit, prepayment and consignment, might take longer time to be processed rather than payments from domestic customers (Segal, 2019).

Businesses prefer exporting because it is one of the simplest channels to enter global trade. Plus, it requires less investment in terms of time and money as well as less risky when contrasted with other methods of entering the international business. The important thing about international business in this era is the company uses the export to expand their company. The competitive struggle, quality of products and services that meet the needs and wants of consumers at a competitive price should be the major goal of companies.

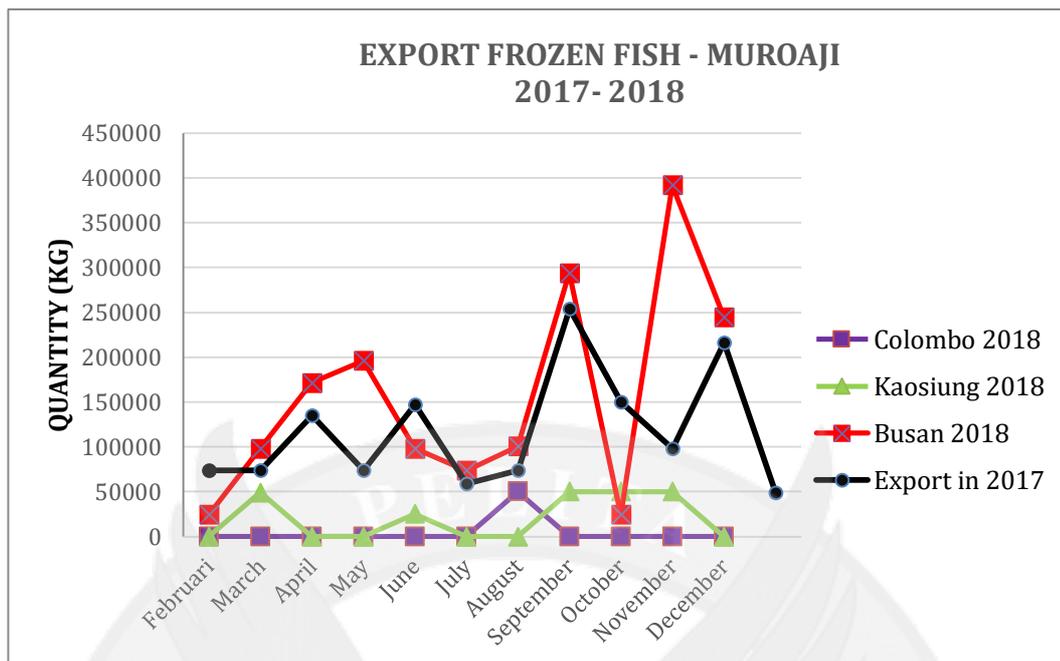
To get this study deeper, the research focuses in one company that has been doing export selling. Since 25th June 1999, Komira Group has engaged in marine and fisheries sector. They contribute to engage the industries of fish export. They have the strategies, which is enchaining the capability and stability for their product quality. Quality can be defined on two dimensions: market perceived quality and performance quality. They are both equally essential concepts but customers tend to care more regarding how the market perceived the quality before looking at the performance quality (McGraw-Hill, 2016, p. 369).

Their distribution and marketing are more efficient as there are tasks being assigned regarding storage; distribution and fish export marketing to develop fishery industry. In this research, the researcher takes data from Komira Group's company, which engages in export, import and distribution, which is PT Satya Trinadi Komira. (Komira Group, 2017)

**Table 1.1 Export of Muroaji Fish in2018**

Month	Busan (Kg)	Kaohsiung (Kg)	Colombo (Kg)	Total 2017 (Busan, Kaohsiung, Colombo)
February	24,500.00	0	0	73,500.00
March	49,000.00	49,000.00	0	135,000.00
April	49,000.00	0	0	73,500.00
May	49,000.00	0	0	147,000.00
June	147,000.00	25,000.00	0	58,500.00
July	24,500.00	0	0	73,500.00
Augustus	24,500.00	0	50,000.00	254,000.00
September	49,000.00	50,000.00	0	150,00.00
October	24,500.00	50,000.00	0	98,000.00
November	24,500.00	50,000.00	0	216,500.00
December	24,500.00	0	0	49,000.00

Source: Prepared by the writer (PT Satya Trinadi Komira Perkasa, 2019)



**Figure 1.1 Export Sales for Muroaji Fish to Busan, Kaohsiung and Colombo**  
Source: Prepared by the Writer (PT Satya Trinadi Komira Perkasa, 2019)

As shown in the figure, there was an increase on sales for certain years. Export to Busan had the significant declines in June, July, and October; however, in September, the export increased again. In May, July and November 2017, it has been reported that there was a lack of quality control. Quality control was lost and the temperatures were not maintained.

For Kaohsiung, the export was unpredictable; there was even no export to this area in certain months because of no demand. Different from that of Colombo, only in August that they had the export sales for Muroaji Fish. The figure also shows that the demand for export was unpredictable. The writer thinks that, not only that the demand and inventories are important contributors of exports, the writer also finds out that quality of products, as the result of the quality control in the company, also contributes to the customers' purchase decision, which, in turn, affects the export of the company. This has proven that the lack of quality control can impact export selling. The companies tries to improve their quality control in order to increase their selling exports.

The writer has given some thoughts that the quality control also can impact the product and the export selling in this company. Having an intuition

that there is an influence from the quality of the fish on the increases of export selling, then this research is necessary to explore more. Therefore, the title of this research is **“The Influence of Quality Control on Fish Export Sales in PT Satya Trinadi Komira PERKASA”**

## **1.2 PROBLEM FORMULATION**

The following are the questions to be answered in this research:

- a. How is the quality control at PT Satya Trinadi Komira Perkasa?
- b. How are the export sales at PT Satya Trinadi Komira Perkasa?
- c. Does quality control have influence on export sales at PT Satya Trinadi Komira Perkasa?

## **1.3 RESEARCH FOCUS**

Based on the topic of this study “The Influence of Quality Control on Fish Export Sales PT Satya Trinadi Komira Perkasa” the research will be focusing on how quality control succession affects the export sales of the company. Due to limitation of time and budget, this research is focused on how quality control influences fish exports of the company.

The information obtained from this report will be limited based on the writer’s knowledge of PT Satya Trinadi Komira Perkasa as well as data collection process in the company. The product being discussed in this research is also limited only to Muroaji fish species, as it is dominating the export sales of the company and it is the only product that the company gives the writer an access to.

## **1.4 RESEARCH OBJECTIVE**

The objectives of this research are as follows:

1. To describe the quality control implemented at PT Satya Trinadi Komira PERKASA
2. To elaborate the export sales at PT Satya Trinadi Komira PERKASA

3. To analyze whether quality control has influence on export sales at PT Satya Trinadi Komira Perkasa

## **1.5 BENEFIT OF THE RESEARCH**

The results of this study are expected to be useful for not only companies and future researchers, but also as references or case study for scholars have might have similar concerns in the future.

### **1.5.1 Theoretical Benefit**

The results of this research are expected to contribute on development of theories, especially on quality control and its influence on export sales.

### **1.5.2 Practical Benefit**

- a. For the writer

This research is expected to add knowledge and insight as well as deeper understanding about international business, export and the influence of quality control on the fish export sales.

- b. For the company

This research is expected to be useful for the company regarding how to overcome the future problems that have similar situations discussed in this research and to provide information about how to achieve the desired outcome that will sustain the company.

- c. For other researchers

This research is expected to be used as references, material, and comparison that provide information for the similar field research in the future. Moreover, this research will enhance knowledge, understanding and provide more information to the other researchers.

## 1.6 SYSTEM OF WRITING

The following is the system of writing in this research:

**Chapter I: Introduction**

This chapter defines the background of study that outlines the things that lead to the problems that will be discussed in the study, followed by the problem formulation, research focus, research objective, research benefit, and system of writing.

**Chapter II: Literature Review**

This chapter outlines the theoretical background that related to international business, quality control, export transaction or sales, and the relation between quality control and export sales and how is the relation between both variables.

**Chapter III: Research Methodology**

This chapter explains about the research approach used. In addition, it also explains the research design and object, data collection method, and data analysis method.

**Chapter IV: Data Analysis and Discussion**

This chapter will discuss about the general description of “The Influence of Quality Control on Fish Export Sales PT Satya Trinadi Komira Perkasa”. The research is conducted to find the results of the data then the data obtained will be analyzed along with the discussion of the results of the research completely.

**Chapter V: Conclusion**

This chapter contains conclusion from the results of the research that have been done, implication that contains the impact from the result of the research conducted theoretically or practically, as well as recommendation that contains the suggestions for that might beneficial for future research.

