

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

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.

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)

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.

A family business like PT. Asia Mewah Wisata (AMW) Tour which located on Jl. Veteran No.72A/126, Gg. Buntu, Medan city, was established as a travel and tour agent since 1992. The company's business focused on selling airport tickets, booking hotels, and offering tours including domestic and international tours, such as Asia tour, Europe tour, and China tour. The company also helps the customers for making a visa in order to travel further.

Based from the annual report gathered since 2015 from the company, here is the summary of the total comprehensive income for the year:

**Table 1.1 Total Selling Volume Since 2015**

<b>Year</b>	<b>Number of Tours Sold</b>
2014	204
2015	195
2016	172
2017	178

Source: PT. Asia Mewah Wisata (2018)

Based from the table above, it shows that there is decreasing in the number of tours sold since 2014. The decline in total selling of tours during 2014-2015 occurred due to an indication of the decline in service quality provided by the company, although the company provides timely, accurate and creative promotions and tours to their customers.

On the other hand, based on the results of random interviews with 5 customers who have used travel services from PT. Asia Mewah Wisata Medan, 3 customers still complained about the service quality that was unsatisfactory. Basically, the customers complained about various dissatisfaction in various services provided, such as: driver behavior, bus facilities provided, food provided on the trip and so on which caused dissatisfaction for customers.

In order to win a competition in a tourism service company, a company must consider aspects to meet customer satisfaction and be able to capture the market by offering prices and features. Determination of service

quality is expected to help business people in providing satisfaction to consumers, and can formulate strategies so that the company becomes a strong company so that the company can survive and continue to advance in the increasingly fierce competition in the business world.

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.

As a result for that, this research sheds the light on the most important ways to determine the relation between the service quality and customer satisfaction at the PT. Asia Mewah Wisata Medan to find out the quality of service towards customer satisfaction and write it in this thesis entitled "**The Influence of Service Quality Towards Customer Satisfaction at PT. Asia Mewah Wisata Medan**".

## **1.2 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 business in Medan city. This study only examines one of the family business, which is in a tour and travel services agent and limited to PT. Asia Mewah Wisata Medan. The service quality indicators used in this research is limited to 5 aspects, they are: tangibility, reliability, responsiveness, assurance, and empathy. The customer satisfaction indicators used in this research is limited to 3 aspects, they are: suitability

of expectation, the interest of repurchase, the willingness to recommend. The customers that will be conducted in this research is taken during February - April 2019. This number is taken from tour packages.

### **1.3 PROBLEM FORMULATION**

Based on the description on the background of the study above, the research questions in this study are as follows:

1. How is the service quality at PT. Asia Mewah Wisata Medan?
2. How is the customer satisfaction at PT. Asia Mewah Wisata Medan?
3. Does service quality influence customer satisfaction at PT. Asia Mewah Wisata Medan?

### **1.4 RESEARCH OBJECTIVE**

The research objective are as follows:

1. To describe the service quality at PT. Asia Mewah Wisata Medan.
2. To evaluate the customer satisfaction at PT. Asia Mewah Wisata Medan.
3. To discover whether service quality influence customer satisfaction at PT. Asia Mewah Wisata Medan.

### **1.5 BENEFIT OF THE RESEARCH**

#### **1.5.1 Theoretical Benefit**

The theoretical benefits expected from this research are as follows:

1. For the readers

This research can provide any information and knowledge about management, especially about the relationship between service quality towards customer satisfaction.

2. For the writer

This research can provide an overview and knowledge about management marketing, especially about the influence of service quality towards the level of customer satisfaction in a company.

3. For other researcher

This research can provide some information about service quality and customer satisfaction, which can help other researchers to use it as a reference.

### **1.5.2 Practical Benefit**

The practical benefits expected from this research are as follows:

1. For the company

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

2. For the future 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.

## **1.6 SYSTEMS OF WRITING**

The researchers compiled the writing with the following details:

### **CHAPTER I : INTRODUCTION**

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

### **CHAPTER II : LITERATURE REVIEW**

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 research development related to this research topic.

