

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this world of extreme competition, companies with a total focus on customer are going to be the winner. Companies must understand importance of customer satisfaction and then build process around it. A satisfied customer will be a loyal customer.

There are large offering of products and services available in the market and why the customer should choose a given company's product. According to various research and studies it has been confirmed that consumer will purchase products, which given them maximum perceived value. This value comes from calculating the cost associated with the emotional level decision like the brand image, corporate brand, sales personnel image and functional image. This value converts to total customer cost by including purchase cost, time-energy in evaluation of product and intuitive cost.

Key to the success of the company depends on the success of the company satisfying the needs of its customers. Smart companies in satisfying customers will provide more than what was promised. This is due to an increase in customer satisfaction will increase profits for the company because customers will continue to buy the product to the company. Increasing customer satisfaction is an important thing that needs to be done by the company. Increased customer satisfaction can be caused by several factors such as the customer will be satisfied if you buy products at low prices with quality products that fit his expectations.

According to Martin, Marketing is defined as putting the right product in the right place at the right price, at the right time. The use of a marketing mix is an excellent way to help ensure that "putting the right product in the right place" can be realized. Marketing mix is a crucial tool to help understand what the product or service can offer and how to plan a successful product offering. There are 4

important principles of marketing such as Price, Product, Promotion and Place. (Martin, 2014).

According to Annmarie Hanlon, There are 7 Principles of marketing such as Products/Services, Prices/Fees, Place, Promotion, Physical Evidence, People and Partners. These principles help companies to review and define key issues that affect the marketing of its products and services and is often now referred to as the 7Ps framework for the digital marketing mix. (Annmarie Hanlon, 2018).

PT Jaya Abadi Chandra Kartika is an Indonesia family owned business that was established by Mr. Jack Loui Low in 1989. PT Jaya Abadi Chandra Kartika started their business from home industry at first. PT Jaya Abadi Chandra Kartika is a factory that produce paint, thinner and putty as their main products. PT Jaya Abadi Chandra Kartika is now running at the first generation and handled by Mr. Leonardi Loui Low as Vice Director of the company and ask their trusted family members to help and run in the top management level from their production stage up to sales stage in the company.

PT Jaya Abadi Chandra Kartika is located at JL. Irian Barat Medan SampaliPercut Sei Tuan NO.341, Medan. PT Jaya Abadi Chandra Kartika have more than 70 employees and their product name called Syngloss and Bison. The Product is quite well known in Medan area and out of Medan town such as Binjai, PekanBaru, Aceh and so on.

The research is done to PT Jaya Abadi Chandra Kartika. The vision of this company is a leading company markets in North Sumatra region to uphold the service and quality. The mission of this company is rapidly growing business development and optimal profitability. Currently, companies are not able to achieve sales targets. The following will be displayed paint sales data in January 2018 until December 2018 as shown in Table 1.1.

Table 1.1 The Number of Sales Realizationat PT Jaya Abadi Chandra Kartika Medan

| No. | Month | Sales Target Rp. | Realization Rp. | Percentage |
|-----|-----------|---------------------|--------------------|------------|
| 1 | January | 3 billion | 2.577 billion | 85.9% |
| 2 | February | 3 billion | 2.341 billion | 78.03% |
| 3 | March | 3 billion | 2.421 billion | 80.7% |
| 4 | April | 3 billion | 2.337 billion | 77.9% |
| 5 | May | 3 billion | 2.147 billion | 71.56% |
| 6 | June | 3 billion | 2.041 billion | 68.03% |
| 7 | July | 3 billion | 2.127 billion | 70.9% |
| 8 | August | 3 billion | 2.234 billion | 74.46% |
| 9 | September | 3 billion | 2.229 billion | 74.3% |
| 10 | October | 3 billion | 2.214 billion | 73.8% |
| 11 | November | 3 billion | 2.109 billion | 70.3% |
| 12 | December | 3 billion | 2.004 billion | 66.8% |

Source : PT Jaya Abadi Chandra Kartika Medan (2018)

It can be seen that there is decreasing of sales. This condition may imply indication of the decreasing of customer satisfaction in the company. This allegedly due to problems that occurred at the price set by the company which is higher than competitor. In this research, writer would discuss more about price principles that effect customer satisfaction.

Product pricing should be in accordance with the quality and the benefits that can be provided to customers. If the customer assess the price set by the company more expensive than other companies with the same product quality, customer certainly will feel unsatisfied after purchase and for the future the customers will choose other similar products from the competitors. In the price factor, the customer of PT Jaya Abadi Chandra Kartika considers that the selling price of the products specially Syngloss Paint are more expensive compared to other similar product from other competitors. More expensive products affect customers become dissatisfied in buying while other competitions can sell at a cheaper price and it being one of the causes of unachieved sales targets. Based on the interview with the Mr. Leonardi Louis, the price of paints called

SynglossPaints experienced a price increase during 2018. The following will be displayed product priceduring January 2018 until December 2018 as shown in Table 1.2.

Table 1.2. The Number of Product Price at PTJaya Abadi Chandra Kartika Medan

| No. | Month | Product | Price |
|-----|-----------------|----------------|---------------------------|
| 1. | January – April | SYNGLOSS PAINT | Rp. 28,500 / can @0.9 KG |
| 2. | May – June | SYNGLOSS PAINT | Rp. 31,000 / can @0.9 KG |
| 3. | July - December | SYNGLOSS PAINT | Rp. 33,000 / can @ 0.9 KG |

Source : PT Jaya Abadi Chandra Kartika Medan (2018)

Based on description above, the writer want to conduct the research with title “**The Impact of Price on Customer Satisfaction at PT Jaya Abadi Chandra Kartika Medan**”.

1.2 PROBLEM LIMITATION

This research has some limitation so the problem that would be discussed wouldn't be too wide. Here are some limitations on this study such as:

- 1) This research is just focused on how price can give an impact to the customer satisfaction in the business.
- 2) The research will have many different answers in terms of customer satisfaction, therefore survey and interview would be used to support the answers.

1.3 PROBLEM FORMULATION

Based on the background study above, the writer can take problem identification as follows:

1. Does the price have impact on customer satisfaction at PT Jaya Abadi Chandra Kartika Medan?
2. How is the customer satisfaction at PT Jaya Abadi Chandra Kartika Medan?

3. How strong the impact of price on customer satisfaction at PT Jaya Abadi Chandra Kartika Medan?

1.4 OBJECTIVE OF THE RESEARCH

The purposes in doing this research are as follows:

1. To identify whether there is the impact of price on customer satisfaction at PT Jaya Abadi Chandra Kartika Medan.
2. To describe customer satisfaction at PT Jaya Abadi Chandra Kartika Medan.
3. To analyze how strong the impact of price on customer satisfaction at PT Jaya Abadi Chandra Kartika Medan.

1.5 BENEFIT OF THE RESEARCH

The benefits from conducting this research are as follows:

1.5.1 Theoretical Benefit

This research give benefit to developing theory of entrepreneur especially price and customer satisfaction.

1.5.2 Practical Benefit

- a. For writer, this research can add writer's knowledge in entrepreneurship especially price and customer satisfaction.
- b. For the company, this research can provide recommendation to company in improving customer satisfaction with price.
- c. For other researcher, this research can be used as reference to next research that related with this research topic.

1.6 SYSTEMS OF WRITING

The systems of writing in this *skripsi* will be as follows :

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 research and systems of writing.

Chapter II : Literative Review and Hypothesis Development

In this chapter, the writer describes some theories that are related to the topic of the study, such as entrepreneurship, product quality and customer satisfaction. The writer presents previous research, develops hypothesis, makes research model and framework of thinking.

Chapter III : Research Methodology

In this chapter, the writer explains 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 consists of general view of research object, data analysis and discussion.

Chapter V : Conclusion

This chapter contains the conclusion, the implication and recommendation of this research.