

CHAPTER I

INTRODUCTION

1.1. Background of the Study

In the era of globalization, the world changes so fast. It makes the competition between companies increasingly fierce from day to day. Many of the best-selling products in their time were forced to be abandoned by their customers because they were unable to meet the changing needs of the customers and the era. Only the company that can always make its customers satisfy can be survived from this tough era of globalization. Because of that, innovation in the company must be applied. It is important for the company to make sure that it will find and apply new techniques and technologies based on what the customers' needs and wants which certainly keep changing from time to time and diverse from person to person. Coming out with a new idea that fulfilling what the customers' demand will eventually give positive effects to the company as it will give the possibility for the company to enhance customer satisfaction. As the assessor of company's products and services, the customers will feel satisfied after they get a good impression of the company's products and of course also meet their needs and expectation.

To evaluate the innovation effects to the satisfaction of the customers, the writer decides to choose PT Mestika Makmur Persada Jaya as the company to be researched. PT Mestika Makmur Persada Jaya is founded in 2013 and is one of the subsidiary companies of PT Batara Indah which is located at Jalan Sena No. 23C & 25A Kel. Perintis, Kec. Medan Timur, Sumatera Utara, Indonesia. The headquarter itself was built in 1986 and located in Bogor. It was built by William Ismadi. This company is selling office equipment products under the brand of Bantex, ELBA, LINEX, LYRA, APLI, Papeo, and

XYRON. This company does not only sell their products for local customers but also some of them are exported.

This company sells famous brand products such as Bantex, ELBA, LINEX, LYRA, APLI, Papeo, and XYRON. First, Bantex is a brand of office stationery products that was first developed in Copenhagen, Denmark in 1961. Second, Elba is a brand that provides an efficient way to archive documents that save space, saving energy, and time compared to the existing system. Third, LINEX is drawing equipment with high quality and precision created by Frede Dueland Nelson in 1935 in Denmark. Fourth, LYRA is a brand that provides products in top quality for graphic arts and more, using efficient methods and without forgetting the importance of protecting the environment. Fifth, APLI is a well-known brand of label products that can be used in inkjet printers, lasers, and photocopiers. Sixth, Papeo produces high-quality boxes such as gift boxes, natural boxes, and fancy boxes. And last, XYRON is a brand of products that are related to handicrafts, hobbies, and stationery. One of its products is laminate machines which can be used without electricity and heat.

Table 1.1 Sale of PT Mestika Makmur Persada Jaya

Year	Sales	Percentage Change
2014	Rp. 3,385,254,604	-
2015	Rp. 5,433,166,292	60.50%
2016	Rp. 6,827,672,936	25.67%
2017	Rp. 7,100,861,342	4.00%
2018	Rp. 6,962,981,738	-1.94%

Source: PT Mestika Makmur Persada Jaya (2019)

Based on the table above, it shows that PT Mestika Makmur Persada Jaya has positive progress at the beginning of the company founded. However, the nominal increase was getting smaller even it was negative in 2018. In 2015, the sales were increased more than half from the previous sales. However, in 2016 and 2017, the percent increase was getting smaller with each 25.67% and 4.00%. It is even

getting worse in 2018 which the sales decrease more than 130 million or 1.94% from 2017. This sales data shows that there is something wrong with the sales of PT Mestika Makmur Persada Jaya.

The lower customer satisfaction in a company can be seen in the sales of the company. Satisfaction often becomes a predictor of customer repurchase intention. (Kasper in Khan et al., 2014) If the sales down, it also can mean that customers are not as satisfied as before, so that, it makes the customers aren't interested in the company's product and finally, the sales become lower. It also might be happened in the PT Mestika Makmur Persada Jaya.

Customer satisfaction is very important for a company to make sure that the company keeps existing and have a better future. According to Jamaluddin & Ruswanti (2017) in Akbar & Parves, customer satisfaction is the evaluation from customers about a product or service, whether the product or service exceeds their expectations or needs. So, to increase customer satisfaction, the company must find the right solution to fulfill the customers' needs that keep changing from time to time in the era of globalization. According to O'Connell (2016), Innovation can be a process of creating a new market that is in the assumption of customers' interests, or it can make changes to the products supplies today so that it can better satisfy the expressed customers' needs. Therefore, the company needs to do innovation to increase the level of customer satisfaction.

Realizing that innovation is very important to the increase of satisfaction level of the customers, this research will focus on the relationship between innovation and customer satisfaction. Therefore, the title of this research will be **“The Effect of Innovation on Customer Satisfaction at PT Mestika Makmur Persada Jaya, Medan”**.

1.2. Problem Limitation

Due to the limitation of time and budget, the writer would like to limit this research to the customers of PT Mestika Makmur Persada Jaya in the city of Medan and the time of research is started from the month of January to April 2019.

The writer would also limit the research to innovation as the independent variable and its relation to customer satisfaction as the dependent variable of this research. To support the variables of this research, the writer uses some indicators for each variable. For “innovation” variable, the writer uses relative advantage, compatibility, complexity, divisibility, and communicability as the indicator. (Roger in Keegan & Green, 2017) Then, for “customer satisfaction” variable, the writer uses loyalty, satisfaction, repurchase interest, small desire to make a complaint, willingness to recommend a product, and reputation of the company as the indicators of the variable. (Nguyen & LeBlanc in Razak et al., 2016)

1.3. Problem Formulation

The following is the research questions of this research:

1. How is the innovation in PT Mestika Makmur Persada Jaya?
2. How satisfied are the customers of PT Mestika Makmur Persada Jaya?
3. How does the innovation in PT Mestika Makmur Persada Jaya affect the customers satisfaction?

1.4. Objective of the Research

The following is the research objectives of this research:

1. To evaluate the innovation in PT Mestika Makmur Persada Jaya at fulfilling the customers’ needs.
2. To investigate the satisfaction of the customers of PT Mestika Makmur Persada Jaya.

3. To study the possible effects of innovation on the customers satisfaction.

1.5. Benefit of the Research

This research is expected to provide benefits theoretically and practically.

1.5.1. Theoretical Benefit

For the reader, the result of the research would expand knowledge in the academic area, especially on innovation and customer satisfaction.

1.5.2. Practical Benefit

1. For the writer, the research will expand or add knowledge about innovation and customer satisfaction.
2. For the company, the research will give a recommendation for the company to improve its innovation and customer satisfaction.
3. For the future researcher, the research will be a reference in a similar area.

1.6. Systems of Writing

The following is the systems of writing in this research:

Chapter I Introduction

This chapter explains 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

This chapter explains theoretical background, previous research, hypothesis development, research model, and framework of thinking.

Chapter III Research Methodology

This chapter explains research design, population and sample, data collection model, operation variable definition and variable measurement, and data analysis method.

Chapter IV Data Analysis and Discussion

This chapter explains 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 explains conclusion, implication, and recommendation.

