

# **CHAPTER I**

## **INTRODUCTION**

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

Globalization is an international integration process. Its growth is caused by the enhanced worldwide exchange of products, goods, and services together with the impact of other cultural and social components. This activity has been affected over the years by the growth and advancement in various fields that help the increasing interconnection between marketing activities and other company operations, such as leadership, logistics, accounting, etc.

Growth and diversification of the manufacturing method for multiple goods, such as fabrics, equipment and communication products, are crucial metric in the growth of globalization. Globalization is a complicated activity with social, environmental and cultural effect that is strongly connected to financial activity and various market and manufacturing elements that need to be discussed and taken into consideration in designing particular marketing operations beyond the boundaries of a country.

Globalization triggers various investments to different countries, the growth of international trade, communication, etc. Economic globalization generally refers to countries economic interdependence that leads to enhanced cross-border flows of goods, services, capital, etc. Economic globalization includes various aspects of economic life, such as processes of production, finance, markets, institutions, labor, etc. Different nations around the globe are becoming highly interdependent economically. However, during the process of worldwide economic integration, there might be possible bad outcomes in the social, environmental and other field.

Nowadays, businesses and people are currently experiencing a shared economy in which people are both buyers and sellers of goods and services, whereas both natural and financial ones are used more efficiently, resiliently, sustainably and innovatively. The advancement of information technology improves personal and social connection among individual hence making it deeper and deeper.

This brings society to a new model of economy involving collaborative consumption, production and creation of the market. With the support of new technology, trust and reputation in this type of economy are the crucial pillars and drivers of development.

However, globalization tends to bring more competition. The competition happens in various aspects, such as the price and cost of products and service, technological adaptation, target market, rapid response, production of companies, etc. In order to gain greater market share, businesses manufacture and sell product at lower price. This was made possible by rapid technological advancement. More businesses join the market which affects customer's behavior. Customers have a wide variety of product to choose from, they also expect the product to have low price and high quality. To be able to fulfill this expectation, businesses need to be prepared for the expected price, product and service, quality and other expectation from the global market. Failure to do so will lead to the decline of sales and market shares.

One way to overcome competition is to increase the quality of the product. Quality has the ability to affect a business's profitability, productivity, customer satisfaction, business cost and the public perception towards the companies in a lot of ways. Therefore, it can be concluded that focusing on quality helps in all aspects to maintain a strong business. On the other hand, poor quality costs company's money in terms of productivity issues. Low quality equipment may lead to engine failures, slowdowns or even just stop the manufacturing process.

Higher quality, on the other hand, may lead to increasing sales and profitability. Employees working in environment that focuses on teamwork and working together to develop better high-quality product will have better workflows comparing to the one where quality is not important.

Customer satisfaction is directly related to quality. Businesses that produce high quality products or services will be deemed as better companies by the customers. On the other hand, dissatisfied customers will be more likely to be vocal on their criticisms. This can be seen in various review websites where customers have the ability to give bad reviews to the companies.

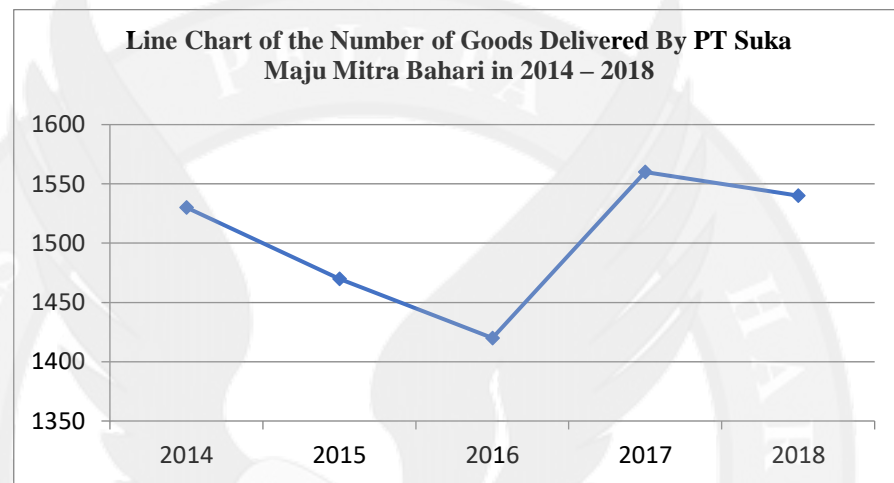
Businesses with poor quality might get the initial sales, however it will not develop customer loyalty hence not sustainable in the long term. In developing marketing strategy, integrity, honesty, and clarity of the marketing campaign should be considered as important factors. Shady advertising campaigns can generate rapid sales, but as consumers realize they have been tricked, these sales will fail. The sales of a good product will bring customers back.

PT Suka Maju Mitra Bahari is company specializing in logistics. Its operation is mainly delivering product using ships. The company is not limited to the Indonesian market, but they also serve Malaysian market. Therefore, PT Suka Maju Mitra Bahari is considered as an international company. The company will charge freight cost in exchange for their logistic services. The cost is determined based on the amount of goods that the company delivers. More goods mean more revenue. The opposite is also true. Below is the data for the number of goods delivered by PT Suka Maju Mitra Bahari in the last 5 years.

**Table 1.1 Number of Goods Delivered by PT Suka Maju Mitra Bahari in 2014 – 2018**

Year	Number of Goods Delivered in Tons	Change
2014	1,530	-
2015	1,470	-3.92%
2016	1,420	-3.4%
2017	1,560	+9.85%
2018	1,540	-1.28%

Source: Prepared by the writer (2019)



**Figure 1.1 Numbers of Goods Delivered in 2014 – 2018**

Source: Prepared by the writer (2019)

The table & figure show that the number of goods delivered tends to be volatile. Most of the products delivered are seasonal products. Therefore, according to the season, the number of goods delivered by PT Suka Maju Mitra Bahari may increase or decrease. From 2014 to 2016, the number of goods delivered tend to decrease. From 2014 to 2015, the number of goods delivered decreased from 1,530 tons to 1,470 tons. From 2015 to 2016, the number of goods delivered kept on decreasing from 1,470 tons to 1,420 tons. However, in the last 3 years, the number of goods delivered has increase. From 2016 to 2017, the number of goods delivered increased quite a lot from 1420 tons to 1,560 tons. From 2017 to 2018, it decreased a little bit from 1560 tons to 1,540 tons.

In order to survive the high level of competition among Indonesian and Malaysian companies, it is crucial for PT Suka Maju

Mitra Bahari to maintain and even increase their service quality in order to improve their customer satisfaction. With satisfied customers, the company will be able to save marketing costs due to the trust it has earned. This will lead to more future business prospects and better relationship with the customers. At the end, satisfied customer will lead to more revenues for the company. Realizing the importance of customer satisfaction, this research will focus on service quality and how it will affect customer satisfaction.

Therefore, the title of this research will be “**The Impact of Service Quality towards Customer Satisfaction at PT Suka Maju Mitra Bahari**”.

## **1.2 PROBLEM LIMITATION**

In order to complete, optimize, and deepen the research conducted in writing this paper, variable limitation is essential. Therefore, this paper limits its research into the impact of service quality towards customer satisfaction at PT Suka Maju Mitra Bahari. The research will focus on one of the fundamental elements in marketing, which is service quality as independent variable and how it will affect customer satisfaction as dependent variable. The reliability of the data collected during research will be based on the customers of PT Suka Maju Mitra Bahari. The indicators of service quality include assurance, empathy, and reliability. The indicators of customer satisfaction consist of satisfaction, content, and relieved.

## **1.3 PROBLEM FORMULATION**

Below are the research questions of the final paper:

- a. How is the quality of service at PT Suka Maju Mitra Bahari?
- b. How satisfied are the customers of PT Suka Maju Mitra Bahari?
- c. Does service quality have impact towards customer satisfaction at PT Suka Maju Mitra Bahari?

#### **1.4 OBJECTIVE OF THE RESEARCH**

The following are the objectives of the research to solve the research problems already formulated, which are:

- a. To assess the quality of service at PT Suka Maju Mitra Bahari.
- b. To describe how satisfied the customers are at PT Suka Maju Mitra Bahari.
- c. To analyze whether service quality has impact towards customer satisfaction at PT Suka Maju Mitra Bahari.

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

This research is expected to provide benefits both theoretically and practically.

##### **1.5.1 Theoretical Benefit**

The benefit of this research is to help the writer understand the relationship between service quality and customer satisfaction and also contribute to the development of theories on relevant areas.

##### **1.5.2 Practical Benefit**

- a. For the writer, this research will expand the knowledge and experience on service quality and its impact towards customer satisfaction in real-life settings.
- b. For the company, this research will help them to understand the relationship between their service quality and customer satisfaction.
- c. For other researchers, this research can be used as reference for other researches on similar topic areas.

## 1.6 SYSTEM OF WRITING

For a better understanding of this research, this paper will be divided into several chapters and subchapters as follows:

### **Chapter I: Introduction**

This chapter includes the background of study, problem formulation, research focus, research objective, benefit of the research and the system of writing.

### **Chapter II: Literature Review & Hypothesis Development**

This chapter includes international business, marketing, service quality, gap model of service quality, indicators of service quality, customer satisfaction, benefits of customer satisfaction, limitation of customer satisfaction, indicators of customer satisfaction, relationship between service quality and customer satisfaction, previous research and framework of thinking.

### **Chapter III: Research Methodology**

This research includes research design, population and sample, data collection method, operational variable definition, variable measurement, and data analysis method.

### **Chapter IV: Data Analysis and Discussion**

This chapter consists of general view of PT Suka Maju Mitra Bahari, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.

### **Chapter V: Conclusion**

This chapter provides the conclusion, implication and recommendation for improving the research itself.