

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In this era of globalization, every business should depend on the customer, every company must treat their customer as their king or queen to be able to survive in the business world, Customer is the foundation of every business success. Every business is trying to make customer satisfied with the products or services, by trying to meet the expectation of every customer, this will make customers feel special and appreciated.

Every company wants to retain their customer forever. However, this is not easy because changes can occur any time, it can be changes in customer such as taste, and psychological aspects and environmental condition that affect social and culture of customers. There are advantages for the company by retaining customer loyalty, it is to gain long term relationship which means the longer the loyalty, the greater profit earned by the company. Customer satisfaction should be consolidated into long term goal of a business. Since, customer satisfaction is a key component for each organization to maximize the number of customer loyalty.

Peter and Olson in Priansa (2017), declared that customer who make repeating purchase is because there was an encouragement and repeating purchase behavior which can grow a loyalty from what they felt according to themselves. So, the interest of repurchase may had been a liability to do it, as well-earned positive responses on past behavior

Customer satisfaction is one of the core aspects to gain long term profit for the company, satisfaction is a picture of difference between expectation and reality obtained from the products. If the product cannot meet the expectation of the customer will make customer feel disappointed.

Otherwise, if the reality obtained from the product meets the expectation will make customer feel satisfied with the product. But as time goes by the expectation of customer will be higher. Therefore, every organization must be able to create, grow to give new innovation towards the product or service to make customer feel there is always something new and make them feel satisfied with the product or services from the company.

Loyal customers are the most valuable assets a company has, different with a customer who come once does not guaranteed they will make a purchase, while a loyal customer is a potential customer who has purchasing power and will always give profit for the company. Besides that, it is someone who is always used and consumed the product or services that being offered by the company. The purchase behavior can be seen through the track record of continuous purchases within a time period. According to Griffin from Priansa (2017), loyalty leads to regular repeat purchase behavior, purchase across product and service lines, refers other and demonstrates immunity to the full of the competition.

Odunlami and Matthew (2015) stated that there is significant relationship between both variables because customer satisfaction is a vital construct that must be given concentrated attention, by understanding and knowing the needs of the target market will give satisfaction at a larger extent to keep everlasting and favorable relationship with the target market that lead to customer loyalty.

In Conclusion, Customer satisfaction is about response of an individual towards the product or services they got, it is a feeling of satisfaction or dissatisfaction that a person has based on a comparison between the reality obtained and expectation from the products. However, it will lead to customer loyalty because a satisfied customer will stay with the company longer, they are willing to recommend and pay according to the quality of the product.

PT Horti Jaya Lestari is a company that focused on agricultural. It is located in Jl. Gunung Krakatau no 17 AA, Medan, they are also one of the biggest supplier of fresh vegetables such as Salanova, Capsicum, Carrot, Tomatoes, and other fresh vegetables. According to PT Horti Jaya Lestari , Organization performance is affected by customer satisfaction because it is challenges for the company to make sure that their product can satisfied their customer, by serving a good product which already been proven by the ministry of agriculture in Indonesia will make customer feel safe to consume the product. Recently, there are numbers of customers who gave complain about the quality of product which makes them feel disappointed and not interested in doing repurchase. From the survey, the researcher found that their products are needed full attention. Besides that, there are some weaknesses in the product that being sold by PT Horti Jaya Lestari Medan.

Table 1.1 Number of complaints in PT Horti Jaya Lestari Medan from the last 6 months (October 2018 to March 2019)

| Month | Number of complains |
|-------------|---------------------|
| October'18 | 45 |
| November'18 | 53 |
| December'18 | 58 |
| January'19 | 63 |
| February'19 | 72 |
| March'19 | 85 |

Source: PT Horti Jaya Lestari Medan (2019)

From the table above, it can be seen that the number of complaints came from customers in PT Horti Jaya Lestari had been increasing since October 2018 to March 2019. This definitely will create problem for PT Horti Jaya Lestari. Therefore, the writer is interested to find out what is the main problem the company faced.

The writer did preliminary interview with 3 customers. First customer with an initial J declared that the quality of product keep on changing each time they do purchased, while second customer with an initial K stated that the price of the product is keep on changing (fluctuate) and third customer with an initial C stated that the services is not good. It takes too long to for the company to respond to the complaints. Therefore, it can be concluded that there are customers who is not happy with the product or services from PT Horti Jaya Lestari Medan.

Based on the description above, it is necessary to conduct a research with the title “ **The Impact of Customer Satisfaction on Customer Loyalty at PT Horti Jaya Lestari Medan**”

1.2 PROBLEM LIMITATION

Due to having limitation of time and knowledge that the writer have in doing this *skripsi*, the writer will only focused on Customer Satisfaction as Variable X (Independent Variable), Indicator of customer satisfaction based on Tjiptono and Chandra in Priansa (2017) are Product, Price, Promotion, Location, Services, facility and situation and also on Customer loyalty as Variable Y (Dependent Variable), indicator of customer loyalty according to Griffin in Priansa (2017) are makes regular repeat purchases, purchases across product and service lines, refers the products to other and demonstrates an immunity to the full of competition. The writer choosing customer satisfaction is because the main problem of the company is price, service and quality. While, the customer satisfaction indicator is including all the problems of the company, that is the reason why the writer think that it is better to used customer satisfaction as the independent variable of the research. In addition, the writer will limit the customers who do purchase order in Medan with 80 customers.

1.3 PROBLEM FORMULATION

Every company must have faced its problem and must have their own way to solve its problem in order to keep the company continues to grow. According to the background above, the writer interested to know the impact of customer satisfaction on customer loyalty and can be expressed in the form of questions as “Is there any impact of customer satisfaction on customer loyalty at PT Horti Jaya Lestari Medan? “

1.4 OBJECTIVE OF THE RESEARCH

The objective of the study is to know whether there is any impact of customer satisfaction on customer loyalty at PT Horti Jaya Lestari Medan.

1.5 BENEFIT OF THE RESEARCH

Benefit of this research can be listed as follow:

1.5.1 Theoretical Benefit

The benefit from this research can be used to expand knowledge and contribute to academic area especially regarding customer satisfaction and customer loyalty.

1.5.2 Practical Benefit

For the writer, there are so many advantages for the writer by doing this this *skripsi* because it will let the writer understand all the problems and come out with a solution, besides that it is more easier to do the *skripsi* and to know the connection between the variables.

For the company, through research and survey that are given by the customer may give an input to the company performance by improving

quality of product and service in order to increase the number of satisfied customer that lead to a loyal customer.

For the research, it will help the researchers about the research they do and will give them broad insight especially about the topic of the research.

1.6 SYSTEMS OF WRITING

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

CHAPTER I : INTRODUCTION

This chapter explains about the background of the study, problem limitation, problem formulation, objective and benefit of the research, theoretical benefit, practical benefit, and systems of writing.

CHAPTER II : LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter explains about theories of Entrepreneurship, Marketing, Family Business, Customer Satisfaction, Customer Loyalty, Relationship between Customer Satisfaction and Customer Loyalty, Previous Research.

CHAPTER III: RESEARCH METHODOLOGY

This chapter contains of description of research design applied, population and sample, data collection method to be used, operational variable and variable measurement and data analysis method to be applied.

CHAPTER IV: DATA ANALYSIS METHOD

This chapter is explaining about general view of research object, data analyzing of the result that has been conducted in the research, and discussion of the data analyzing from the research

CHAPTER V: CONCLUSION

This chapter contains the conclusion of the research paper, implication of the research paper and it also includes recommendation to overcome problems.

