

# CHAPTER 1

## INTRODUCTION

### 1.1 Background Of The Study

In this day and age, the importance of service in a business is more important than ever, no matter what is the industry. Service quality is one of the main factors that consumer will consider if he/she is consuming a product/service of the company. This is to encourage more businesses to be more responsive towards consumer's feedback and critics, and also to improve the quality of the service overall, and to find linkage between service quality and customer satisfaction. Companies that sell products often overlook service as the main focus is often about the product itself.

According to Sangadji dan Sopiah (2016, p.99), service quality is a dynamic condition that's interlinked with product, service, humans, processes and environment that fulfills or exceeds expectation. A good quality service has an important role in order to make the customers satisfied. The higher the quality of the service that is being provided, the better and higher the overall satisfaction of the customers involved. Which in turn, will cause benefits, whether it's in monetary value or in indirect impact for the company/organization that's offering the service.

Service Quality ties in closely to Customer Satisfaction. It gives an additional boost of confidence to the customers in order to have a close relationship with the company and will cause long-term mutual benefit for both the customers and the company. This emotional connection can be useful for the company to better understand the customer's specific needs and wants. To measure the level of satisfaction that the customer has experienced, there's no correct standardized way to measure it yet. Because satisfaction in itself is very relative to each individual customer and it's also up to the interpretation of the different customers.

According to Abdullah dan Tantri (2014 : 38), satisfaction is a level of feeling that someone experiences after comparing the results of the product to his/her expectation. So the level of satisfaction is a function of

the difference between the perceived performance and expectations. Customers can experience one of the three levels of satisfaction generally. If the perceived performance is below expectation, the customers will not be happy. If the perceived performance exceeds expectation, customers will feel happy, satisfied or very delighted.

PT. Agra Garlica Lestari is a trading company that sells garlic, shallots, and various types of spices. Based on observations made at PT. Agra Garlica Lestari, the author knows that a decrease in customer satisfaction is characterized by an increase in customer complaints to companies ranging from disappointment to complaints that are not dealt with quickly, the frequent occurrence of fluctuating prices of garlic and other products and dissatisfaction with service.

The services received from the company are still not optimal and satisfying, resulting in disappointments that have an impact on repurchasing which is decreasing. Services that have not been satisfactory are in the form of frequent information delivered is not reliable, the delivery schedule for goods that are not on time, it is difficult to complain to staff salesmen because some staff salesmen are difficult to contact. This triggered the dissatisfaction of the customers of PT. Agra Garlica Lestari.

Because of the aforementioned problems, the writer is interested to do a research with the title **“The Impact of Service Quality on Customer Satisfaction at PT. Agra Garlica Lestari In Medan”**.

## **1.2 Problem Limitation**

The writer limits the study about “ The Impact of Service Quality on Customer Satisfaction at PT. Agra Garlica Lestari. “ due to several factors. In this paper, the writer is focused on studying the Service Quality and Customer Satisfaction. The writer will compare the impact of Service Quality (independent variable) and customer satisfaction (dependent variable) in PT. Agra Garlica Lestari.

Service Quality Indicators include Tangibility, Assurance, Empathy and Responsiveness. Meanwhile Customer satisfaction include indicators

which includes Expectation, Performance, Comparison and Confirmation/Disconfirmation.

Because of the time limitation, this research will be held between May to July 2019. This research will be done by giving out questionnaires, and will be limited to only the loyal customers of PT. Agra Garlica Lestari. Customers that fit these criteria are ones that had been consistently buying and doing transactions with PT. Agra Garlica Lestari.

### **1.3 Problem Formulation**

The following are the research questions in this final paper:

1. What is the quality of service for this company?
2. What is the relationship between Service Quality and Customer Satisfaction?
3. Is good service quality an active role in increasing company sales?

### **1.4 Objective Of The Research**

The following are the research objectives in this final paper :

1. To discover and analyze the relationship between Service Quality and Customer Satisfaction

### **1.5 Benefit Of The Research**

The writer expects that this research can give benefits both theoretically and practically.

#### **1.5.1 Theoretical Benefit**

- a. For the writer

The writer can develop his knowledge, insights, and to give valuable information about Service Quality and Customer Satisfaction.

b. For the reader

The reader can gain knowledge and information about what impacts the Customer Satisfaction, and the information can be used in practice to the reader's own company/business.

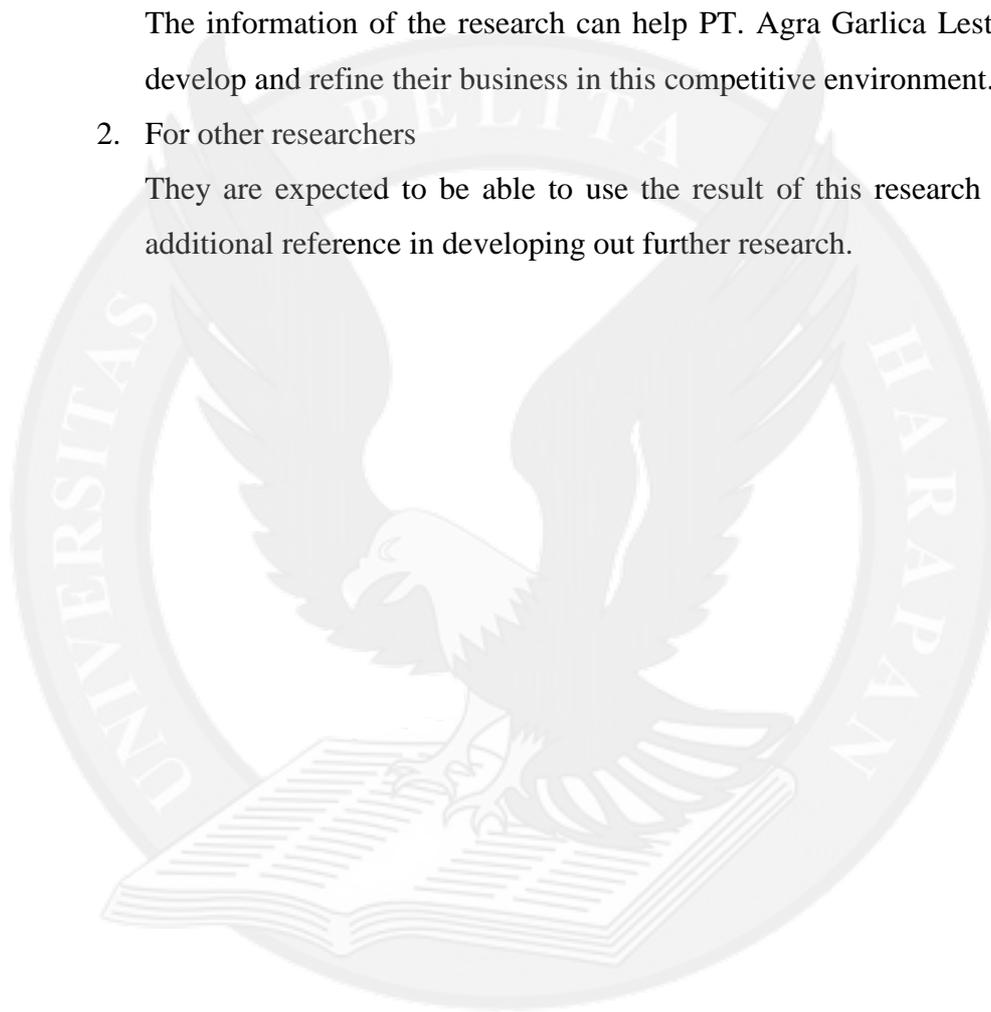
### **1.5.2 Practical Benefit**

1. For PT. Agra Garlica Lestari

The information of the research can help PT. Agra Garlica Lestari to develop and refine their business in this competitive environment.

2. For other researchers

They are expected to be able to use the result of this research as an additional reference in developing out further research.



## 1.6 Systems Of Writing

### **CHAPTER INTRODUCTION**

**I** This chapter explains about the background of study, problem limitation, problem formulation, objective of research, benefit of research, and system of writing.

### **CHAPTER LITERATURE REVIEW AND**

### **II HYPOTHESIS DEVELOPMENT**

This chapter elaborates the theories of entrepreneurship, family business, marketing, service quality, customer satisfaction, explaining about the relationship between service quality and customer satisfaction, previous research, hypothesis development, research model, and framework of thinking.

### **CHAPTER RESEARCH DESIGN**

**III** This chapter explains about the Research Design, Population and Sample, Data Collection Methods, Definition of Operational Variables and Measurements, Data Analysis Method.

### **CHAPTER RESULT AND ANALYSIS**

**IV** This chapter consists of brief history of the company, organizational structure, descriptive statistics, tested result of data quality, test of hypothesis, and result and analysis.

### **CHAPTER CONCLUSIONS AND RECOMMENDATIONS**

**V** This chapter contains conclusions as the results of the whole study and the problems facing in this research. It also includes recommendations of overcome problem, and the limitations in doing the final paper.