

CHAPTER I

INTRODUCTION

1.1. Background of the Study

Hairstyling and beauty sector in the world are a milestone for the global economy in the industry today. Hairstyling and beauty industry are currently standing strong in almost all countries as an industry in their respective countries, including Indonesia. Citing Indonesia Investment interview in 2017 with Farolan as Chairman of the Indonesia Barber Shop Association, Indonesia market in hairstyling including both men and women has increased in the recent years which can also portrayed by the growth of barbershop brands active in Indonesia in 2016 thus pictured by 4,000 to 5,000 barbershop brands which are currently active in Indonesia and he also predicted that the number would rise by 20% to 30% before the end of 2017.

In this modern era, lifestyle development on city community began more likely to demand product with more variety, it is also influenced by the development of a wide range of products that provide a variety of convenience and hairstyling industry is not an exception with the situation. The development of this lifestyle led to the emergence of a wide range of products that began to compete with one another to offer a variety of advantages to make the consumer feel satisfied and loyal to a given product, so that the consumer continues to make repeat purchases in a given product. Wiguno (2014: 14) defines that customer satisfaction is feeling pleased or disappointed by someone who emerged after comparing the performance (results) are considered products of the performance (or outcome) is expected. Customer loyalty is the key of the company to win the competition both in service companies and goods companies (Tjiptono, 2015: 24).

Hasan, (2013: 84) states the definition of loyalty is more operational nature that says that loyalty as a concept that emphasizes the

demands of the purchase, the proportion of the purchase, or the probability of purchase. The writer has found statements in Sangadji's book titled "*Perilaku Konsumen*" Barnes stated that loyalty is the evidence of emotions those transform a regular buying behavior into a relationship. Meanwhile, Griffin (2015) stated that the concept of customer loyalty is geared more to behavior than to attitude and a loyal customer will exhibit purchase behavior defined as non-random purchase expressed over time by some decision-making unit.

From those two statements above, the writer concludes that there are ways to get customer loyalty, which is by pleasing and altering to their emotion in order to lead the customer purchase the product which in the later will create a repetition purchasing in a long-term period. A loyal customer will be a very valuable asset for the company, the retention of loyal customers can also provide positive feedback for the company, and loyalty have a positive relationship with profitability (Dharmmesta, 2015).

According to Chiguvi (2015), it is recommended to influence customer satisfaction positively with the aim of achieving customer loyalty. From the description above can be concluded that customer satisfaction influential in shaping the loyalty of a customer to a product or service. The higher the customer satisfaction, it can lead to benefits for the company due to satisfied customers will continue to purchase and recommendation on the product. Conversely, without satisfaction, may cause customers to move to other products. Therefore, many companies are working to develop effective strategies to build, maintain and improve customer loyalty by maintaining customer satisfaction, one of which is at PT Saudara Ekatama Jaya Medan.

PT Saudara Ekatama Jaya Medan is a company that import hairstyling and beauty products from South Korea in Medan, North Sumatra. It was not immune from the problems of maintaining customer satisfaction for the creation of customer loyalty can be maintained.

The competition was very competitive due to the efforts of the hairstylist products which continued to increase from year to year. This of course will encourage competition to provide satisfaction to its customers in order to create customer loyalty. Based on observations of researchers obtained information that customer satisfaction has influence customer loyalty if it occurs in urban competitors because customers have many choices to meet their needs and of course, pay attention to its satisfaction.

As we know that the needs of the product is a fundamental requirement at this time so that the customer in this case would consider his satisfaction to choose loyal on one company or not at all. Based on problems which stated above and theories that have been put forward, the researcher is encouraged to conduct research under the title "**The Impact of Customer Satisfaction on Customer Loyalty at PT Saudara Ekatama Jaya in Medan**".

1.2. Problem Limitation

The writer determines this study limitation on customer satisfaction with the indicator by Priansa (2017) as the independent variable, whose indicators are product, price, promotion, location, employee's service, and facility. While on the other hand customer loyalty with the indicator by Sumarwan, et al (2013, p.226) as the dependent variable, whose indicators are word of mouth, repurchase intention and price insensitivity at PT Saudara Ekatama Jaya Medan which focused on the sales of outlet beauty salon customers in Western part of Medan.

A decline in the number of customers in the company indicated the number of unsatisfied customer and their complaints of dissatisfaction with existing services managed by the company. This is shown in the table of customer complaints regarding their satisfaction with the products and services company.

Table 1.1 The Number of Customer loyalty of PT Saudara Ekatama Jaya Medan in Western Medan

Month	Number of Customer in Western Medan
November 2018	47
December 2018	49
January 2018	50
February 2018	44
March 2018	39
April 2018	40

Source: PT Saudara Ekatama Jaya Medan Sales in Western Medan (2018)

Table 1.2 The Number of Customer complaints of PT Saudara Ekatama Jaya Medan in Western Medan

Customer's Top Complaints
1. Product always out of stock.
2. Price of the product are high.
3. Discount of paying cash are too low.
4. Bonus of buying the product are few.
5. Different result of the product from the brochure.
6. Long waiting time for the delivery.
7. Infrequent event or promo.

Source: PT Saudara Ekatama Jaya Medan in Western Medan (2018)

As displayed by the table from the supervisor opinion's about the complaint by customers since November 2018 to April 2019 the company is currently in need to retain the customer loyalty by decreasing the top comments above or it will be a problem for company if they do not try their best effort to keep the customer satisfy because they will easily go to other company.

1.3. Problem Formulation

Based on the background study above, the writer can take the problem of identification as "Is there any Impact of Customer Satisfaction on Customer Loyalty at PT Saudara Ekatama Jaya Medan?"

1.4. Objective of Research

The purposes in doing this research is to identify whether there is an impact of satisfaction on customer loyalty at PT Saudara Ekatama Jaya Medan.

1.5. Benefits of Research

1.5.1. Theoretical Benefit

This research give benefit in developing theory of international business study especially customer satisfaction and customer loyalty.

1.5.2. Practical Benefit

Beside theoretical benefit, there are also a few practical benefits of this research:

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

1.6. System of Writing

The systems of writing in this research will be as follows:

Chapter I: Introduction

In this chapter, the writer describes about the background of the study, the problem of limitation, problem formulation, an objective of the research, the benefits of research and systems of writing.

Chapter II: Literature Review and Hypothesis Development

In this chapter, the writer describes theories that are related to the topic of the study, such as international business, customer satisfaction and customer loyalty.

The writer provides previous research, develops hypotheses, makes research models for the research and frameworks of thinking.

Chapter III: Research Methodology

In this chapter, the writer explains the research design, population and sample, the data collection methods, operational variable, variable definition, method of measurement and analysis of data.

Chapter IV: Data Analysis and Discussion

This chapter consists of general view of the research object, the data analysis and discussion.

Chapter V: Conclusion

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

