

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In the past years, the intensity of the competition between corporations has been escalating due to the changes in the internal and external environments. It becomes increasingly difficult for a business to survive in such a condition. To compete with the competitors, an organization needs to search for new ways to satisfy its customers through continuous improvement. Many companies allocate tremendous resources in the effort of building customer satisfaction to retain and attract consumers. Ultimately, the high rate of customer retention can lead to better firm performance and reputation.

A product holds a significant role in a business because it is the core of the company's activity, especially for a manufacturing firm. Product quality becomes one of the top indicators of the level of customer satisfaction of the business, especially in the food and beverage sector (Hanaysha, 2016). However, each customer can have a different perception of the product quality. Thus, it becomes incredibly hard for a company to appease the consumers.

According to Kotler & Armstrong (2017), product quality refers to the ability of the characteristics of a service or product to fulfill the customer's direct or indirect needs. The product must be tailored in such a way that allows it to meet the needs and wants of consumers. Many researchers have examined that product

quality positively affects customers' outcomes, including customer satisfaction (Sitanggang, Sinulingga, & Fachruddin, 2019; Mahsyar & Surapati, 2020; Christianto, Ronald, & Amelia, 2020).

In the previous research study, Calim (2020), in her journal entitled "The Influence of Product Quality Towards Customer Satisfaction at Cititex, Medan," suggested that product quality has a significant positive influence on customer satisfaction. Considering product quality's relevance in improving customer satisfaction for a business, the writer decides to research and analyze the influence of product quality on customer satisfaction at Kripik Balado JJ in Padang.

Kripik Balado JJ is a family-governed manufacturing business that produces the infamous traditional food from West Sumatera – kripik balado. As of now, the second generation of the family runs the company. The firm was started by Mrs. Rostina in the 1970s, with help from her mother. In 1985, the company was official registered under the name of "Kripik Balado Sarina." The name was changed to "Kripik Balado JJ" in 2013.

Based on the preliminary interview with the owner of Kripik Balado JJ, the firm is facing complaints from the consumers regarding product quality. The following are the customer complaints compiled from July 2020 to December 2020:

Table 1.1 Customer Complaints from July 2020 to December 2020

No.	Month	Number of Complaints
1.	July	13
2.	August	15
3.	September	13
4.	October	14
5.	November	16
6.	December	16

Source: Kripik Balado JJ (2021)

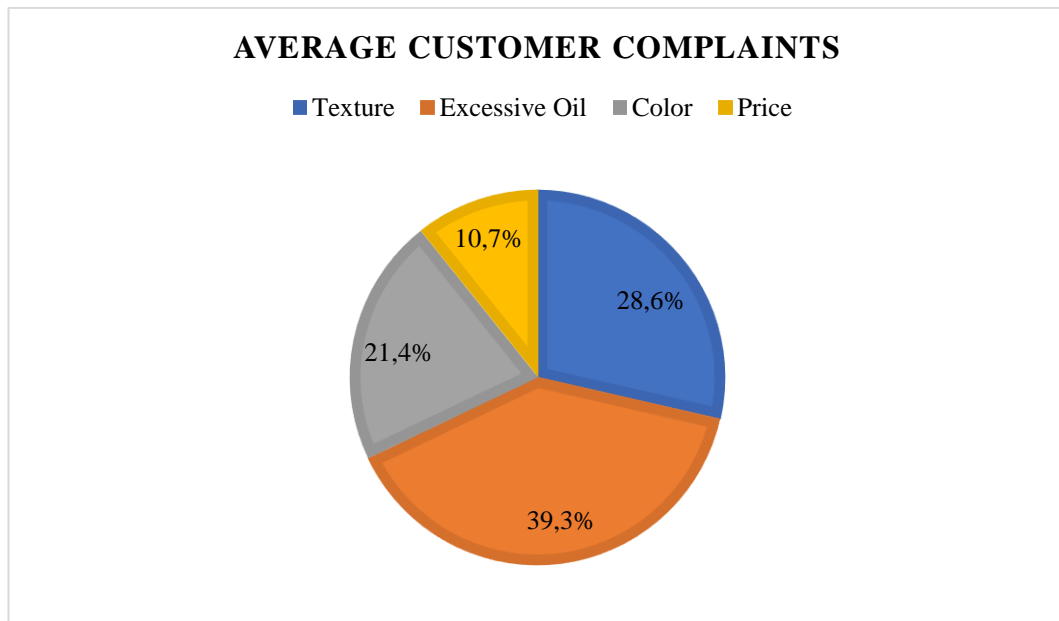


Figure 1.1 Average Customer Complaints

Source: Kripik Balado JJ (2021)

Based on table 1.1, the number of customer complaints from July 2020 to December 2020 has increased over time. According to figure 1.1, the customers complained about the product's texture (28.6%), excessive oil (39.3%), color (21.4%), and price (10.7%).

The customers complained that the product's texture is too tough to chew. In some cases, the product has excessive oil, which accumulates at the bottom of the packaging over time. Thus, the consumers felt reluctant to consume the goods. Additionally, the inadequate chili quality turns the sauce orange instead of red. The appearance of the product becomes pale, which reduces its appeal. Also, the company faces a problem in terms of product price since it is expensive. Thus, consumers tend to purchase the goods infrequently or in a smaller quantity.

The information suggests that the customers did not feel satisfied with the company's products. The goods failed to meet their expectations. The decline in product quality can lead to the loss of valuable consumers. The unsatisfied customers would switch to the competitors. If the situation does not improve, Kripik Balado JJ would lose its income source. Over time, it can drive Kripik Balado JJ out of business.

Based on the phenomenon described above, the author decided to perform a research study with the title of **“The Influence of Product Quality on Customer Satisfaction at Kripik Balado JJ in Padang.”**

1.2 Problem Limitation

Kripik Balado JJ faces several problems concerning the price and quality of its products, which affect the company's overall customer satisfaction. However, the research study will be narrowed to the “Product Quality” effect towards “Customer Satisfaction” at Kripik Balado JJ in Padang due to the limited amount of time, budget, and resources. The performance appraisal indicators used in the study would be limited to performance, aesthetics, reliability, perceived quality, conformance, durability, serviceability, and feature. On the other hand, employees' satisfaction indicators would be limited to price, expectation, and word of mouth.

1.3 Problem Formulation

According to Sugiyono (2015), a researcher can design two problem formulations for research involving one independent and dependent variable. As

aforementioned in the background of the study, the research aspires to answer the following research questions:

1. How is the product quality at Kripik Balado JJ in Padang?
2. Does product quality have influence on customer satisfaction at Kripik Balado JJ in Padang?

1.4 Research Objectives

In light of the problem formulation explained above, the objectives of the research study include:

- 1) To identify the product quality at Kripik Balado JJ in Padang.
- 2) To identify the influence of product quality on customer satisfaction at Kripik Balado JJ in Padang.

1.5 Benefit of the Study

1.5.1 Theoretical Benefits

This research study seeks to contribute to the existing knowledge in the study of marketing and entrepreneurship subjects. Furthermore, the study aims to provide a bigger picture of the importance of product quality in influencing customer satisfaction.

1.5.2 Practical Benefits

- a. For the writer, this research helps to provide greater knowledge about the effect of quality control management practices on customers' outcomes. In particular, the influence of product quality on client's satisfaction.
 - b. For the company, this research can shed new light for the owner of Kripik Balado JJ in understanding the effect of product quality on customer satisfaction. Thus, the firm can develop and improve the quality of its products to encourage a positive consumer experience, especially customer satisfaction. Through proper management of the product quality, the firm can expect to achieve improved performance.
 - c. For other researchers, this research can provide a source of reference for business management research studies in the near future, especially in examining the influence of product quality on customer satisfaction. Therefore, researchers can derive an improved conclusion on similar topics.
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