

## **CHAPTER I**

### **INTRODUCTION**

#### **1.1 Background of the study**

According to Statistik (2020) stated that house construction rate in Indonesia has increased a lot since 2019 because people realize that house is human's psychological needs according to Maslow five hierarchy and every human need a place where they can live, sleep, eat, and gather with family. Therefore, many people would like to invest in buying house for them to live in the future with their family or even they would like to buy it and then sell it again in the future to get profit. This situation gives a big opportunity for building contractor and businessman who build housing or even apartment building. This gives impact to many businesses that involve in house construction business and it makes such businesses compete to attract customers by doing some promos, receive special custom request, and even some of these businesses provide customers with housing or building's material based on the customer's budget. However, some building's material is too fragile that it can be broken easily if during the delivery to the customers, the driver is not careful when driving the car or during the transfer of goods in the building, the product is broken because the workers do not carry the product well. Often it makes such business that provide this kind of product, losing the customers and even get loss of money. Moreover, sometimes if this case has happened, customers often do not trust the business anymore and making bad word of mouth to people around them in which it really harms the business reputation in the industry.

In Indonesia, zinc roof's company in the industry is not as much as any other industry because zinc roof is very fragile that it cannot be sent to other island in Indonesia in which in another word can be said that this product can only be sold in the area where it is produced. Because of this product is really fragile, company should be really careful whenever they send the product to their customers to prevent any complains and dissatisfaction of the customers by packing the product really well. Such company should also know how to handle their customers well if something happens to their product whenever it arrives to the customers. As the risk of producing zinc roof is quite high, many people do not dare to enter this industry.

In order to maintain a good brand image in the industry, a company should have a good product quality in order to maintain the business and gain customers. Product quality plays an important role in a business as it shows whether the company is able to compete in the industry and able to satisfy the customers. According to Kotler and Armstrong as cited in Raidi (2020), stated that product quality is the ability of a product to demonstrate its function, this includes overall durability, reliability, accuracy, ease of operation, and product repair, as well as other product's attributes. If a company is able to deliver the quality of product that is being expected by customers, it will satisfy the customers and bring a good brand image for the industry as it can become the company's competitive advantage.

On the other hand, According to Fornell, Johnson, Andersen, et al. as cited in Khadka et al., (2017), stated that customer satisfaction is defined as customers' overall evaluation about the purchase and experience with the goods or services overtime.

Product quality plays an important role in satisfying customers in which according to Kotler & Keller (2016) stated that customer satisfaction is the degree to which a person's emotions after comparing the performance or results he felt with his expectations. It is really important to do a research about customer satisfaction in a company to let the company know what are the things that can influence the customers to feel satisfy and decide to repurchase the product being produced by the company. Moreover, it can be a good evaluation for the company to see whether the company has performed well or not because customer satisfaction really affects to many aspects of a company including the revenue being made. If quality of a product match with the expectation of the customers, customers will feel satisfy and will purchase the product again. Moreover, this means that there is a positive relationship between product quality towards customers satisfaction.

As there is a positive relationship between product quality and customer satisfaction, it means that every business should be able to produce a good quality product to maintain the business. Therefore, the author would like to research "The influence of product quality towards customer satisfaction at PT. Garuda Inovasi Industri in Binjai."



**Figure 1.1 PT. Garuda Inovasi Industri in Binjai**

PT. Garuda Inovasi Industri is a manufacturing company that focus in producing zinc roof. The company has been operating for almost 2 years since 2019. There are eight shareholders in the company and there is one director and one commissioner. This company is a business-to-business and business-to-customer kind of model, their target market is hardware store, store building, and building contractor. PT. Garuda Inovasi Industri has two competitors in the industry. Those competitors are PT. Inti Baja Indonesia and PT. Bintang Rezeki Maju. Both of the competitor have some competitive advantages where those companies have run for more than 5 years and the companies dare to send their product to outside of town which it shows that they dare to take the risk because the product is fragile. Moreover, both of the company has many followers on social media which means that they have a good brand image. However, both of the company do not offer custom made of zinc roof to customers and only PT. Garuda Inovasi Industri that offer custom made zinc roof to their customers and it becomes PT. Garuda Inovasi Industri's competitive advantage because most

customers from Binjai and some building store in Binjai would like to buy and supply zinc roof from PT. Garuda Inovasi Industri since the customers do not need to cut the zinc roof themselves and they can request for what colour they want.

The following table is the number complaints of PT. Garuda Inovasi Industri in 2020:

**Table 1.1 Number of complaints at PT. Garuda Inovasi Industri in 2020**

No	Type of Complaint	Frequency
1.	The product being sent to customer is folded	37
2.	The product being sent to customer is pockmarked.	16
3.	The colour on the product is peeling off	14

Source: Prepared by the writer (PT. Garuda Inovasi Industri, 2021)

After the writer did some researchers and preliminary interview in the company, the writer found out that there were some customers who were not satisfy and complaint the product quality because during the delivery to customers as zinc roof is fragile and can be folded easily when the product arrives to the customer and as seen in the table 1.1 above this complaint get the highest frequency. Moreover, some of the zinc roofs often pockmarked also and the colour of the product peels off. If this issue keeps arise, it might cause decline number of customers at PT. Garuda Inovasi Industri. Since the business has just started for almost 2 years, this research is really important to be conducted so that it can help the business to know the customers' feeling about the product and what the customers wish for the product in the future because having feedback from the customers is the most important thing to improve the business performance.

Therefore, the writer wants to conduct a research with the title “The Influence of Product Quality towards Customer Satisfaction at PT. Garuda Inovasi Industri in Binjai.”

## **1.2 Problem Limitation**

As there are limited in time, budget, and resources, this research will only focus on the influence of “Product Quality” towards “Customer Satisfaction” at PT. Garuda Inovasi Industri in Binjai. Moreover, this research of the product quality will only be limited to the performance, reliability, feature, conformance, and perceived quality. Then, for the customer satisfaction will only be limited to the customers’ experience with the product, the customers’ will to recommend the product to their surroundings, and customer loyalties toward product.

## **1.3 Problem Formulation**

In this research study, there will be several problems which will be examined:

1. How is the product quality of PT. Garuda Inovasi Industri in Binjai?
2. How is the customer satisfaction at PT. Garuda Inovasi Industri in Binjai?
3. Does product quality have influence towards customer satisfaction at PT. Garuda Inovasi Industri in Binjai?

## **1.4 Object of The Research**

The objective of this research study that the writer expected to point out are:

1. To identify PT. Garuda Inovasi Industri’s product quality.
2. To identify PT. Garuda Inovasi Industri’s customer satisfaction.

3. To identify the influence of product quality towards customer satisfaction at PT. Garuda Inovasi Industri in Binjai.

## **1.5 Benefit of The Research**

### **1.5.1 Theoretical Benefit**

This research is aimed to present and broaden more about “Product Quality” and “Customer Satisfaction” as having a good quality product is good to satisfy the customers and give result in creating a good brand image for the company, maintaining the business, creating competitive advantage in the industry, gain more customers, and gain more loyal customers. Moreover, this research is also aimed to become a theoretical method to help parties who might face the same problem.

### **1.5.2 Practical Benefit**

- a) For company

The writer aims this research study to be able to help PT. Garuda Inovasi Industri in Binjai in improving and expanding the business. Besides, the writer also aims that this research would help the company to compete, survive, and grow better so that the company can be recognized not only Binjai but also in another city.

- b) For other parties/researches

The writer aims this research study can be references to give and provide more information about the influence of product quality towards customer satisfaction since it is an important tool to compete in the same industry.

c) For writer

This research study is aimed to provide larger knowledge about the influence of product quality towards customer satisfaction because many businesses fail in the industry because the companies fail to produce good quality product when having a good quality product is really important to maintain the business in the industry. Through this research also, the writer is expected to understand more about the importance of product quality to satisfy customers and bringing it into real work practice and create benefit in the future.

