

CHAPTER I

INTRODUCTION

1.1. Background of the Study

Product quality is a physical condition, the nature and function of a product, based on a quality level adjusted to its durability, reliability, ease of use, suitability, repair and other components that are made to meet satisfactorily and also needs of the customer. The company must pay attention to its products so that the products offered will be in good quality. Sometimes because of the small gap that the company didn't pay attention can cause a big mistake like losing a customer. Every product comes from different source or different factory and sometime there are defect products. This condition must be a problem for a company that doesn't pay attention to its quality control. The customer will complain and asking for returning the defect products. The customer dissatisfaction will affect to customer loyalty, because loyalty comes from conditions where customers got a privilege and the best products from the company.

The company needs to focus on product quality offered, because it will automatically be building the relationship between company and customers. The company should maintain their relationship with customers, giving privileges and treat them well to maintain relationship with customers. Satisfied customers will be loyal and make the repetitive purchase of the company. These activities will give company advantages.

According to Juran (2016), “Products Quality means incorporate features that have a capacity to meet consumers need (wants) and gives customers satisfaction by improving products (goods) and making them free from any deficiencies or defects.”

PT. Delapan Samudera Pratama is importing chinaware from china and some other countries. It is engaged in the sales and distribution of chinaware in North Sumatra, Medan. It was established in the year 2011 and located at Jl. Jemadi Komplek Jemadi Asri No. 32 – H, North Sumatra, Medan. This company usually orders a lot of products from China and other countries, so that owner start from visiting the factories in china that produce chinaware products and surveying the products quality and the price, after that the owner will make a deal with the factories and proceed the shipping to Indonesia.

The phenomenon in this company is a decrease in the customer loyalty which can be seen from the number of customers. The annual number of customers can be seen in the table below:

Table 1.1 Annual Number of Customers

Year	Annual Number of customers	% Change
2014	135	-
2015	129	(4.44%)
2016	120	(6.97%)
2017	112	(6.67%)
2018	101	(9.82%)
2019	96	(4.95%)
2020	92	(4.17%)

Source: Prepared by the Writer (2021)

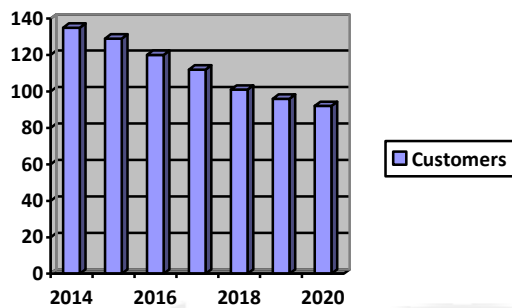


Figure 1.1 Annual Customer Curve

Source: Prepared by the writer (2021)

PT. Delapan Samudera Pratama was founded at 2014 with starting 135 customers, going down to 129 customers on 2015 because of some unhappy customers, going down to 120 customers on 2016 same problem keep going on here, going down to 112 customers on 2017 with a reason from customers that said the price and quality not get along or too expensive, going down to 101 customers on 2018 because of product quality problems and shipping time, going down to 96 customers on 2019 because of shipping problem and finally by the end of 2020 the company annual no of customers is 92 affected by covid 19 pandemic that haunted business world.

Some of the products offered are chinaware like plate, tea pot, etc. The products like that usually need more attention than the others products because it's fragile, the products are easy to break. The quality of products may affect to customers' expectation, if they don't like the products, they will be disappointed and do not do the repetitive order from the company anymore.

One of the causes of decreased customer loyalty is due to customer dissatisfaction with the product quality being offered. Products delivered to customers often have defects, such as stains on items purchased; mismatch of colours and models ordered and those that were delivered, and mismatches between product images in the catalogue with the goods received. Customers often complain to the company, but the company's response is slow and the goods return process is also slow. In addition, the products that are replaced by the company are sometimes still not in accordance with the wishes of the customer, so that the customer finally decides not to buy from the company anymore.

Based on this background study, the writer is interested to conduct the research with the title as follows: **“The Influence of Products Quality on Customers Loyalty at PT. Delapan Samudera Pratama, Medan”**.

1.2. Problem Limitation

Due to limitation of time, ability and knowledge, the writer will discuss about product quality and its influence to customer loyalty. Product quality has a big influence in the business, to satisfy customers, the company should give the best product quality for customers such as the performance, reliability, conformance, durability, serviceability and aesthetics.

This research will only discuss products quality as the independent variable and customer's loyalty as dependent variable at PT. Delapan Samudera Pratama. The product that will be studied in this research is also limited to only chinaware products. The company address is at jemadi street komplek Taman

jemadi asri no 32 h & i, Medan. The research will use questionnaire to obtain data from respondents. Product quality indicators used are performance, reliability, conformance, durability, serviceability and aesthetics (Garvin, 2016). Customer loyalty indicators used are word of mouth, intention on repurchase, price sensitivity and complaint behaviour (Bostanji, 2016).

1.3. Problem Formulation

Based on the background study that has been described previously, the problems that are being discussed in this research is:

- a. How is the quality of chinaware products at PT. Delapan Samudera Pratama, Medan?
- b. How loyal are customers of PT. Delapan Samudera Pratama, Medan?
- c. Does Products Quality have influence on Customers Loyalty at PT. Delapan Samudera Pratama, Medan?

1.4. Objective of the Research

The objectives of this research are as follows:

- a. To describe about the quality of chinaware products at PT. Delapan Samudera Pratama, Medan.
- b. To assess the customers loyalty at PT. Delapan Samudera Pratama, Medan.
- c. To investigate whether product quality has influence on customers satisfaction at PT. Delapan Samudera Pratama, Medan.

1.5. Benefit of the Research

This study is expected to provide benefits theoretically and practically as follows:

1.5.1. Theoretical Benefit

Based on the objective of the research, the research is expected to academically contribute to development of theories, especially on product quality on customer's loyalty.

1.5.2. Practical Benefit

Based on the objective of the research, the research is expected to also generate practical benefits as follows:

- a. For the writer, to gain more knowledge and experience on product quality and its influence on customer loyalty in real life settings.
- b. For the company, this research would generate some recommendations to improve product quality and customers loyalty.
- c. For other researchers, the findings of this research can be used as reference for other researches on similar area.