

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In today's context of a global dynamic market, many businesses keep on developing and emerging within the market due to globalization, the business can be in form of offering goods or services in traditional or even the digital market. Besides that, Indonesia is part of the developing country in South East Asia that is still full of natural resources. The opportunity for business is very great as long as the human resources can manage it, the businesses within the market will compete furiously and the demand from customers will increase.

To satisfy the market demands, the supply chain business will increase in manufacturing and production process to supply more goods and meet the customer's demand. And within the process, there is a part where goods have to be distributed to markets evenly which is the job description for logistics service companies. The role of the logistics service is very vital and deeply related to the development of the nation's economy. In general, logistics is part of the supply chain management in the economic role, it has the role to plan and control the number of goods customers demand from the production process until the goods or services arrive or are received by the customers.

In every business, there will always have the role of customer or consumer that is very important for the business cycle. Customer or consumer play a very vital role for the business development, stability, and existence in the market, but

for that to happen, the business's owner also has to put effort to maintain in many aspects. Focusing on the customers will give the business bigger potential to develop more in the future. Moreover, with nowadays globalization and technological advancement, customers now have easy access to information about the markets and becoming more selective in their decision-making process for buying goods or services. In this aspect, the company also needs to be more innovative and dynamic to manage updating along with market trends.

To retain customers, specifically for those operating in the service industry can compete only by maintaining their service quality. Service quality is an activity provided that is difficult to define than the product as it is abstract, but it is the main feature provided by the service industry business that is deeply connected to the customers (Armstrong et al., 2018).

Aside from service quality, there is another factor that could affect and create loyal customers which is price. Price is a very important aspect for customers, it is an indicator or tool for the customer to define the value of the demanded goods/services and exchange with it, whether the price they paid for the goods/services is suitable with the benefit they earn after purchasing it (Tjiptono & Chandra, 2016a). Customer loyalty is the customer that held a deep connection and willingness to repurchase preferred goods/services based on past experiences that influences the customer buying behavior (Kotler et al., 2016).

Based on Sugiarsih (2019) journal, "Pengaruh Kualitas Pelayanan Dan Harga Terhadap Loyalitas Pelanggan Grab Semarang". Grab is a company that particularly works in the service industry, which means instead of selling products

to customers they sell their service, offering good service quality and affordable price positively affects customer loyalty. This means that service quality and price influence customer loyalty in Grab.

PT. Mandiri Sejahtera Makmur Jaya is a private company operating in the logistics freight forwarding business, which is a company that offers services to send goods in large numbers such as containers by using the ship. PT. Mandiri Sejahtera Makmur Jaya has been operating since the end of 2015 and located in Jalan K.L. Yos Sudarso LK 1A No.7B, Medan, North Sumatra regions. Since the establishment, PT. Mandiri Sejahtera Makmur Jaya is committed to giving the best service for the customers, currently the company focus on offering the service for the domestic area in Indonesia.

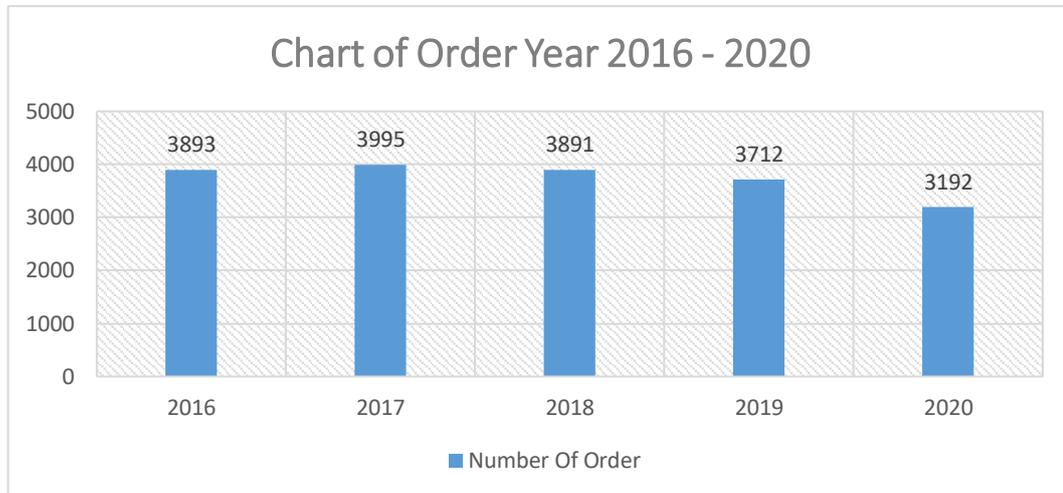
From the observation conducted, the company is operating in the logistics industry, it is expected during the seasonal time of the year such as Chinese New Year, Idul Fitri, Christmas, and New year, the number of orders will rise rapidly. Vice versa, if there is a month that is full of holidays and after the seasonal time of the year, the number of orders will also decrease. For example, during the Idul Fitri, markets will be full of products for Idul Fitri celebration such as syrups and dates, then if we view from the supply chain role, the manufacturer will increase their production of goods and distribute as many as possible before the end of the seasonal buying time.

**Table 1. 1 Number of Order 2016-2020 PT. Mandiri Sejahtera Makmur Jaya**

Month	2016	2017	2018	2019	2020
January	322	331	343	330	321
February	300	312	309	297	270
March	321	373	333	341	230
April	343	333	324	317	275
May	387	378	339	305	149
June	332	324	325	293	186
July	365	319	298	314	318
August	299	295	325	282	283
September	303	332	337	312	308
October	289	318	313	304	292
November	324	389	342	320	266
December	308	291	303	297	294
<b>Total Order</b>	<b>3893</b>	<b>3995</b>	<b>3891</b>	<b>3712</b>	<b>3192</b>

Prepared by Writer (2021)

The table above is the number of orders in PT. Mandiri Sejahtera Makmur Jaya, Medan from year 2016 to 2020. From the monthly number of orders, based on the discussion above, can be seen that in a specific month each year nearing the seasonal time the number of orders will increase, while during the seasonal time it will decrease. Even though seasonal time directly affects the company's performance, it does not affect and relate to customer loyalty. From the table above, can be seen the performances of the company by the total of order in each year that will be processed into chart display in the following.



**Figure 1.1 Number of Order 2016-2020 PT. Mandiri Sejahtera Makmur Jaya**  
Prepared by Writer (2021)

From the chart, we can see the yearly graph of the number of orders from 2016 to 2020. The graph shows that the data particularly starting from the year 2018 to 2020 the sales started to drop and the lowest goes to the year of 2020 with the differences of 520 number of orders from the year 2019 number of orders. Based on the yearly sales data, the marketing department reported the decrease of container order were due to the decrease from loyal customers.

Aside from the seasonal time factors, the writer observed and suspects that service quality and price are the variables that influence the decreasing performance caused by customer loyalty at PT. Mandiri Sejahtera Makmur Jaya. With the data gathered during the research, the writer found out the customers' complaints PT. Mandiri Sejahtera Makmur Jaya had ever received with bellow examples as follows:

1. July 2021, customers' containers were both swapped and sent to the wrong delivery destination.

2. May 2021, customer's glutinous rice got damaged during process of sending because of the container bad physics and weather.
3. February 2021, most customers' complain about the increase of price.

The first complaint was solved with the customer on the exact day by redirecting the containers and the loss will be paid by PT. Mandiri Sejahtera Makmur Jaya. Meanwhile for the second complaint was solved by investigating how and when the container was damaged, reporting to the insurance companies to help customers get their reimbursement fee. For the third complaint, PT. Mandiri Sejahtera Makmur Jaya is not able to fix or decrease the selling price as the increase was due to the increase of freight price and new expense by both the shipping companies and sea-port.

In this research the writer will be focusing on the service quality and price as the independent variables, and how they can affect the performances of the company from the loyal customer as the dependent variable. Henceforth, through above description, the writer concluded for this research title will be **“THE INFLUENCE OF SERVICE QUALITY AND PRICE TOWARDS THE CUSTOMER LOYALTY IN PT. MANDIRI SEJAHTERA MAKMUR JAYA, MEDAN”**.

## **1.2 Problem Limitation**

The scope of this research is going to be limited for customers in accordance with the background of the study above. The respondent and study sample is the customers of PT. Mandiri Sejahtera Makmur Jaya. The responses will be collected from 26 questionnaires that are made accordingly to the

indicators to measure the goodness of fit for each variable and the questionnaires will be distributed using purposive sampling method from online platform. Based on the research focus on the background and identification of the problems will use service quality and price as the factors which will influence customer loyalty in PT. Mandiri Sejahtera Makmur Jaya that is located at Jalan K.L. Yos Sudarso LK 1A No.7B, Medan, North Sumatra.

### **1.3 Problem Formulation**

In accordance with the background that has been described above, the problem formulation in this research is stated as follows:

1. How is the service quality partially influence in PT. Mandiri Sejahtera Makmur Jaya, Medan?
2. How is the price partially influence in PT. Mandiri Sejahtera Makmur Jaya, Medan?
3. How is the customer loyalty in PT. Mandiri Sejahtera Makmur Jaya, Medan?
4. How do the service quality and price simultaneously influence the customer loyalty in PT. Mandiri Sejahtera Makmur Jaya, Medan?

### **1.4 Objective of the Research**

Here are some of the research objectives the writer encountered and have to solve the problem, which are:

1. To evaluate service quality at PT. Mandiri Sejahtera Makmur Jaya, Medan.
2. To evaluate price at PT. Mandiri Sejahtera Makmur Jaya, Medan.
3. To evaluate customer loyalty at PT. Mandiri Sejahtera Makmur Jaya, Medan.
4. To analyze the variables that simultaneously affecting the customers loyalty.

## **1.5 Benefit of the Research**

This research is done to expect providing either some theoretical or practical benefit as follows:

### **1.5.1 Theoretical Benefit**

The research is expected to prove whether the service quality and price will have an influence on customer loyalty or not. In addition, this research is also done to have further understanding about how service quality and price are related to customer loyalty and other factors which will affect both variables. Furthermore, the other benefits that are being expected from this research are to gain more knowledge related to the theories about service quality, price, customer loyalty, and the relationship between the variables, and how the actualization of the theories in real life relates to the undergraduate's studies from the management study program of Pelita Harapan University, Medan Campus.

### 1.5.2 Practical Benefit

The practical benefit expected from conducting this research are:

1. For the writer, this research is expected to give chances to broaden the writer's knowledge and give a real-life experience setting and identify whether customer loyalty is influenced by the service quality and price offered.
2. For the company itself, this research could give solutions on how to improve and have a better understanding of service quality and price may influence the overall performances and development of the company.
3. For other researches, this research can be used to have a better comprehending of how service quality and price can influence customer loyalty in a business, which can be used by other businesses industry as well to develop further.