

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The current state of business development during Covid-19 pandemic makes running a business even more difficult. Limiting physical contact or called as physical distancing has become daily requirement for health's precautions. Living in this Covid-19 pandemic can be challenging because people will need to maintain psychical, social life and their health in good conditions.

Physical distancing has a significant impact on many parties including business participants. Not very few businesses participants, ranging from the MSME level (Micro, Small and Medium Enterprise) to large scale ones, have revealed a decline in income during the current pandemic Covid-19 due to government social restrictions.

During this Covid-19 pandemic, it will be very difficult for company itself if they do not have a competitive advantage to compete with other competitive company. The company's ability to maintain customer satisfaction is becoming increasingly important in business especially during this current Covid-19 pandemic.

According to Srivastara (2014) in Yadav and Rai (2019), customer satisfaction is described as a customer's cognitive decision based on an interaction with the customer's personality and a company's marketing practices in terms of the customer's desire for the product and interpretation of the benefits obtained.

The quality of the service provided by the company is very crucial. Companies that can provide high-quality of service may be able to meet customer expectations while maintaining financial competitiveness in their respective industries. Successful companies that remain competitive and relevant in the market will gain insights from their customers. According to Parasuraman (1985) in Tiglao et al (2020), service quality is an abstract and elusive construct due to three unique features for services: intangible, heterogeneity, and inseparable from production and consumption.

Product quality play important roles for the company. With good product quality, it will increase customer decisions. It is critical for a company who runs business in selling products because they need to make sure that product provided can meet with the customer's expectation. According to Rukaiyah (2020), product quality is a reflection that reflects the value of the product itself. Products have essential meaning for the company because without the product the company will not do anything from its business. Therefore, the product must be adjusted to the buyer's wishes or needs so that product marketing is successful.

Determining the selling price to customers will be an outcome for customers in buying products sold by the company. Price is a measurement or value that customers pay to company for products sold to customer. According to Brata et al (2017), price is vital to a business's profitability because it dictates how much benefit the firm can earn from the sale of its products whether they be a merchandise or services. If the price is set too high, profits will fall but if the price is set too low, the organization's benefits will be diminished.

Customer satisfaction as part of the expectations of the company when customers buy products or services from the company. In business customer satisfaction has become one of important reasons for company to review their company whether customer will come back to purchase or not. According to Biesok and Wrobel (2017), if customer's expectations are met, we can talk about the satisfaction of purchase which is defined as a function of convergence the expectations with the perceived mode of action of the products by the purchaser.

PT Global Cipta Kreasindo (GCSINDO) was established in December 2010 with 11 years of experience in garment, convection, embroidery, screen printing. As a family company, Mr. Johny Teng as the founder and passed to his daughter namely Mrs. Yuni Teng. PT Global Cipta Kreasindo is a company engaged in garments, convection, embroidery, screen printing. Products produced by items that include t-shirts, polo-shirt, bags, shirts, umbrellas, hats, uniforms, jackets, wall clocks, and many more.

Convection companies are generally placing of clothing production with a certain minimum quantity. Convection has a wide sector such as clothes, pants, skirts, t-shirts and many more. The minimum quantity accepted by convection company starting from 100-300pcs (depending on the products and materials) to approximately 10,000-50,000 pcs.

The priority in terms of convection is about the quality of the material and stitches itself. Also, the quality of the colors can attract the attention of customers to buy them.

The company's customer satisfaction of PT Global Cipta Kreasindo (GCSINDO) has not been able to be achieved properly by the company. In the current year 2018 to 2020, the company still received complaints from customers regarding the problem of production results that are not in line with customer expectations. The following is the complaint data received by the company:

**Table 1.1**  
**Customer Complaint Data (2018-2020)**  
**PT Global Cipta Kreasindo, Jakarta**

Month	Amount of Complaints			Problem with customer complaints
	2018	2019	2020	
January	5	3	6	<ol style="list-style-type: none"> <li>1. Employees who are not friendly to customers</li> <li>2. Employees are less responsive when providing services to customers.</li> <li>3. Prints that are less consistent in colour</li> <li>4. Durable mold quality</li> <li>5. Prices judged by customers are still more expensive than other competitors</li> <li>6. The price offered is not in accordance with the quality desired by the customers.</li> <li>7. Orders that do not match the estimated time</li> <li>8. Filing a claim for printing damage that the company has been processing for a long time</li> </ol>
February	8	3	2	
March	5	5	-	
April	5	4	-	
May	6	5	-	
June	8	6	4	
July	5	8	5	
August	5	5	4	
September	8	2	3	
October	6	6	5	
November	9	6	4	
December	5	8	6	
Total	75	61	39	

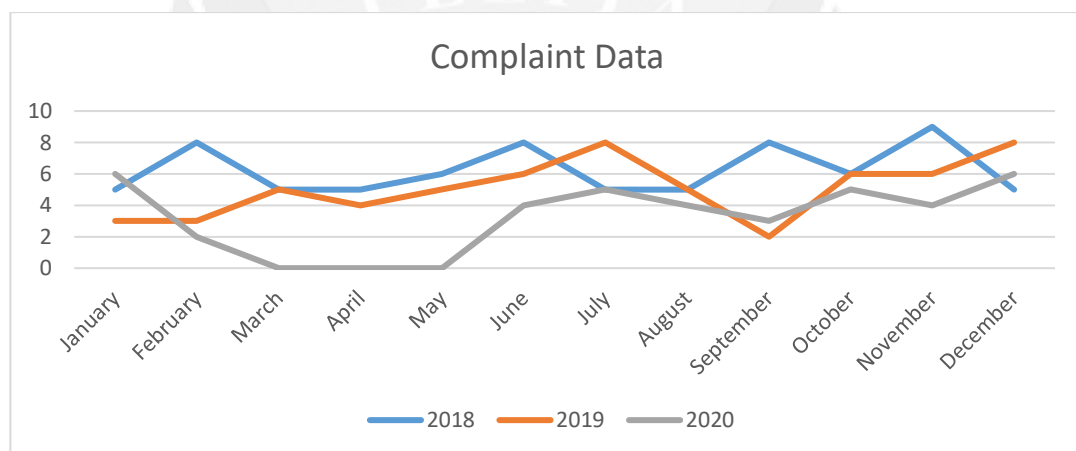
Source: PT Global Cipta Kreasindo, Jakarta (2021)

In customer complaint data shown above, it shows that every year still have customer complaints. Although from the complaint data it seems that it has decreased from 75 complaints initially to 39 complaints in 2020, there are still some complaints from the customers. Hence, it affects to the company sales. It is important for the company to aware with the problems that they had.

Therefore, the writer tries to find the cause of complaints that are still quite high in the company recently. The complaints submitted by customers occur every month where shows that current customer satisfaction has not been able to be achieved optimally by the company.

Despite the decline, the numbers of complaint are still considered high and should be minimized by the company by maintaining their customer satisfaction. With the number of complaints that occur, it shows that will need further research to find the cause of the complaints.

The following displays the number of complaints that occurred in the company. As graphic shown below:



**Figure 1.1 Customer Complaint Data**  
Source: PT Global Cipta Kreasindo (2021)

From the graphic data above, from 2018 to 2019 provides information about complaint data at PT. Global Cipta Kreasindo. There are decreasing number of complaints year to year. From 2018 until 2019, slight decline number of complaints that occur on the company. On the other hand, 2019 until 2020 the number of complaints decreasing due to Covid-19 pandemic that occurred and social restrictions from March 2020 to May 2020.

It is noticeable that there a steady fall from 2019 until 2020. As results, the number of complaints is decreasing including the sales of PT. Global Cipta Kreasindo.

To make it clearer about the complaints, the writer decided to do small interview with the owner Mrs. Yuni Teng to make sure the research of this thesis will clearer and more detailed. As summary, as shown on below table:

**Table 1.2**  
**Interview Transcript**

Writer Question's	Mrs Yuni Teng's Answer
Do complaints consistently occur every month?	Yes, in recent years regular customer complaints have occurred due to deficiencies in product quality, service and prices that have occurred in the company.
Why are customers not satisfied with the services provided at this time?	Customer complaints generally occur in general problems such as those who question the service of employees who are less responsive, product materials that still do not meet the requirements of customers and prices that are still considered expensive by customers.
Do customer satisfied with product quality that provided by the company?	Some customers complaints that the material sometimes is thinner than expected, colours that are not consistent and some of design that does not meet with the customer expectations.
How about the price offered by the company? Is it considered appropriate by customers?	Currently, we are trying to provide the best suitable price, but the growth of competitors and raw material problems are also our obstacles to provide cheaper prices to the customers. For the price offered, some customer can still accept it but there are still customers who think the price offered is still high.
Is the price offered in accordance with the quality desired by the company?	We strive to provide the best quality based on the raw materials we currently have.
Are there any improvement efforts to minimize the number of complaints that occur in the company?	We always evaluate various complaints that occur and complaints that occur are very reasonable as part of our evaluation for future improvements.

Source: Prepared by the writer (2021)

As for service quality, customer complaints are about completion of products are not in accordance as expected. Some of the customers still complaints about the service that provided by the employees due to less responsive and not fast enough to respond to customer's complaints.

As a result, the employees failed to provide best services for the customers. Besides the service, some products are still considered expensive by some customers.

On product quality in the company, the problems experienced by the company is regarding materials that are not good in terms of quality (thin), prints that are less consistent and designs that are not exceed customer's expectation. Therefore, some complaints filed by customers to the company.

In terms of price, the company offers competitive prices to customers but there are still many customers who asked for cheaper price. The price offered by the company is also still considered as expensive, which customer's trust decline.

As for customer satisfaction, still not fully achieved because of the complaints that company received from customers such as employees who are less responsive and not friendly in providing services, product quality that is not in line with customer expectations in terms of materials that are still thin, prints that are not consistent in colour and the price offered is still considered more expensive than other competitors. Therefore, due to the complaints that occur in the company which make customer satisfaction are not full archived.

In addition, the writers also conducted interviews with some of the customers and asked some questions about the complaints. From the results of the interview, it was found that after purchasing the products from PT Global Cipta Kreasindo, Jakarta that customer's complaints related to service issues that are less responsive from the employees, products that had thin materials and price offered by the company are still considered expensive.

Based on this discussion, the writer decides to conduct research entitled **“The Effect of Service Quality, Product Quality, and Price on Customer Satisfaction at PT Global Cipta Kreasindo, Jakarta”**

## **1.2 Problem Limitation**

In this study, the writer will limit problems for service quality, product quality, and price on customer satisfaction at PT Global Cipta Kreasindo, Jakarta as a convection company as the main problem of this study. Problem limitations are service quality (X1), product quality (X2) and price (X3) as the independent variable and customer satisfaction (Y) as the dependent variable.

Indicators for service quality are from Tjiptono and Chandra (2016, p.137), which include reliability, responsiveness, assurance, empathy, tangible. Indicators for product quality are from Supriyadi et al (2017), which include features, performance quality, durability, reliability, and ease of repair. Indicators for price are from Lubis (2016), which include affordability of price, match price with product quality, price competitiveness, price match with benefits. Indicators for customer satisfaction are from Simamora and Realize (2020), which include overall customer satisfaction, confirmation of expectations, repurchase intention, availability for recommendations and customer dissatisfaction.

In additions, the writer will limit the research by distributing the questionnaire to retailers and end-users to gather the survey.

## **1.3 Problem Formulation**

Based on the background of the study, the question to be answered in this research are as follows:

- a. How is the service quality provided by PT Global Cipta Kreasindo, Jakarta?
- b. How is the product quality at PT Global Cipta Kreasindo, Jakarta?



- c. How is the price offered by PT Global Cipta Kreasindo, Jakarta?
- d. How is the customer satisfaction at PT Global Cipta Kreasindo, Jakarta?
- e. Does service quality have partial effect on customer satisfaction at PT Global Cipta Kreasindo, Jakarta?
- f. Does product quality have partial effect on customer satisfaction at PT Global Cipta Kreasindo, Jakarta?
- g. Does price have partial effect on customer satisfaction at PT Global Cipta Kreasindo, Jakarta?
- h. Do service quality, product quality, and price have simultaneous effect on customer satisfaction at PT Global Cipta Kreasindo, Jakarta?

#### **1.4 Objectives of The Research**

The purposes in doing this research are as follows:

- a. To assess service quality provided by PT Global Cipta Kreasindo, Jakarta.
- b. To explain product quality at PT Global Cipta Kreasindo, Jakarta.
- c. To describe price offered by PT Global Cipta Kreasindo, Jakarta.
- d. To evaluate customer satisfaction at PT Global Cipta Kreasindo, Jakarta.
- e. To analyze whether service quality have partial effect on customer satisfaction at PT Global Cipta Kreasindo, Jakarta.
- f. To determine whether product quality have partial effect on customer satisfaction at PT Global Cipta Kreasindo, Jakarta.
- g. To identify whether price have partial effect on customer satisfaction at PT Global Cipta Kreasindo, Jakarta.

- h. To investigate whether service quality, product quality, and price have simultaneous effect on customer satisfaction at PT Global Cipta Kreasindo, Jakarta.

## **1.5 Benefit of The Research**

Benefits of this research can be listed as follow:

### **1.5.1 Theoretical Benefit**

The results of this research are expected to contribute to the existing theories relevant with service quality, product quality, and price have effect on customer satisfaction.

### **1.5.2 Practical Benefit**

The practical benefit of this research as follow:

- a. For writer, the result of this research is expected to contribute to the exciting theories relevant with service quality, product quality, and price have effect on customer satisfaction.
- b. For PT Global Cipta Kreasindo, Jakarta, this research as information about whether the survey that has been made will be useful to improve the company's performance.
- c. For other researcher, to be a guide in leading the researcher to do other research that is compatible with this research.