

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Competitive advantage is vital for an organization's survival and development in the market. Unless the organization develops and adapts its competitive strategy to the prevailing and changing conditions in the market, let alone to achieve its objectives, its continuous survival in the market is doubtful. Understanding the anatomy of competitive advantage is therefore of paramount importance to organizations for a long term survival and success. Organizations can gain competitive advantage when they are able to create and implement an innovative strategy that is not implemented by their competitors. (Ma, 2019)

Customer satisfaction goes beyond service experience that a customer went through. It incorporates value judgment and comparison to initial expectation of what the service quality should be; oftentimes based it is an overall comparison between the value that customers perceive and the price that they pay. Customer satisfaction has several aspects of intention to repurchase, and for example, customer loyalty occurs when satisfied customers are interested in buying products from companies whose performance is as expected. Because customers are satisfied with the performance of companies that can meet customer expectations, these customers are challenging to persuade by competitors.

PT Mulia Tani Jaya, Medan is a company engaged in the management of palm oil into CPO (Crude Palm Oil) and PK (Palm Kernel). Customer satisfaction

is one of the most important factors for the company in demonstrating its commitment and service. In the preliminary survey results, it is known that sales decreased customer satisfaction as seen from CPO customer data for January 2021 to December 2021 as in Table 1.1.

Table 1.1 CPO customer Data of PT Mulia Tani Jaya, Medan

Month	Customer Total	Description
January	94	Move to another CPO company.
February	94	Object to the discount policy.
March	93	Subscribers who do not agree with the decrease in the discount unsubscribe.
April	91	Fluctuating CPO prices.
May	90	Incorrect promises regarding the availability of goods.
June	89	Did not fit into the company due to disappointment, complaints that were not dealt with quickly.
July	88	Disappointed with the company that did not respond to them when filing a complaint.
August	87	Customers move to other competitors.
September	86	Feel disappointed with the company because complaints are not responded to quickly.
October	86	
November	84	
December	83	

Sources: PT Mulia Tani Jaya, Medan, 2022

From Table 1.1 it can be seen that there are customers who quit every month except in January, September and December 2021. The reasons for customers are objections to the prices, disappointment with the complaint system, moving to other companies and so on.

Perceived risk is an important aspect of e-commerce. Usually, people view online transactions as transactions that have a high risk. A high level of risk is described as a narrow category, because consumers select various relatively safe alternatives, while a low level of risk is described as a broad category because consumers have a wide variety of alternatives and tend to make decisions easier. Level of risk accepted by customers can change customer loyalty. If the company can reduce the level of risk, then the company has the potential to get a high opportunity to be chosen by consumers and get the opportunity to create high

satisfaction as well. This is supported by Cheng and Jiang (2020) which state that the lower the level of risk accepted, the higher the level of satisfaction with the product. Meanwhile, Al-Amin and Dewi (2021) state, “perceived value has a positive and significant effect on customer satisfaction.”

This theory explains that the relationship of satisfaction is influenced by a confirmation which in this study refers to perceived risk and perceived value. This is because perceived risk and perceived value are consumer evaluations of the shopping experience whether it is by the expectations formed so that when performance is good and meets what consumers need, it will affect satisfaction and loyalty. Perceived value is described as a comparison of perceived benefits and costs incurred by consumers to obtain certain products.

The higher the value obtained, the consumer will be satisfied with the product. When fewer costs are paid for a high-quality product, the perceived positive value will be formed. Thus, the higher the value that consumers get for a product, the higher the level of satisfaction felt will also be. Perceived risk from PT Mulia Tani Jaya, Medan that are less secure from this company such as the distribution is late but does not inform customers, triggering customer disappointment to the company PT Mulia Tani Jaya, Medan.

One of the important elements in the business word is providing value to customers which does not only include objects that are tangible but also objects that are intangible, that is including packaging, service characteristics, brand name as well as performance quality. Customer’s satisfaction and value is thus linked to a product’s quality which has a significant impact towards service performance or the

product (Kotler & Armstrong, 2018). The term quality has been so overused that its meaning is not easy to determine because of the so much attention that have been devoted by academics and practitioners. Moreover, most authors accept the qualification of product quality.

Customer will be highly happy and consider that a product is of higher quality and is acceptable when a product meet their expectations. The Perceived value from PT Mulia Tani Jaya, Medan in terms of prices offered to customers is less than optimal. Because the CPO prices offered are less competitive than other companies, triggering a downward repurchase.

In addition, low customer satisfaction is also due to the quality factor of CPO products. Product quality is the overall characteristics and properties of goods and services that affect the ability to meet the needs and desires expressed or implied. Product quality is an important thing that must be sought by every company if it wants the resulting can compete in the market to satisfy the needs factor, customers assess that the results of palm oil processing to CPO conducted by PT Mulia Tani Jaya, Medan often has poor quality so that it is not as expected and triggers customer complaints. To clarify this issue, customer satisfaction data will be displayed from January 2021 to December 2021 as shown in Table I.2.

Table 1.2 Customer Complaint Data of PT Mulia Tani Jaya, Medan January 2021-December 2021

No	Month	Complain Total	Description
1	January	2	CPO oil is not yet pure..
2	February	1	CPO contamination occurs with condensate stew.
3	March	3	The amount of fatty acids in the oil.
4	April	5	Still a lot of water content in CPO.
5	May	6	CPO oil is still dirty.
6	June	8	Shrinkage occurs too much.
7	July	6	Smelly CPO oil.
8	August	9	
9	September	7	

10	October	5	
11	November	4	
12	December	7	

Sources: PT Mulia Tani Jaya, Medan, 2022

From Table 1.2 it can be seen that from January 2021 to December 2021, quite a number of customers filed complaints with the company regarding the quality of CPO products sold, such as CPO oil that was not completely pure, oil was still mixed with other substances, and others. Customers complain to the marketing and marketing will convey to the Quality control. This customer complaint shows that the customer has not been satisfied in buying CPO to the company.

Based on the above explanation, the writer decides to conduct research entitled **“The Impact of Perceived Risk, Perceived Value and Product Quality on Customer Satisfaction at PT Mulia Tani Jaya, Medan”**.

1.2 Problem Limitation

Due to limitation of time and budget this research focused to PT Mulia Tani Jaya, Medan that Perceived Risk (X1), Perceived Value (X2), and Product Quality (X3), and Customer Satisfaction (Y).

Perceived Risk indicators are financial risk, product risk, time risk, shipping risk and security risk (Masoud, 2019). Perceived Value indicators are product benefits, service quality, price and emotional value (Yulianto, 2017). According to Tjiptono and Chandra (2018), product quality indicators include performance, reliability, durability and perceived quality. Customer satisfaction indicators are

customer expectations, purchase experience and customers are not interested in looking for other company alternatives. (Anderson and Srinivasan, 2018).

1.3 Problem Formulation

Based on the background of the study, the writer formulates several questions, follows:

1. Does Perceived Risk have partial impact on Customer Satisfaction at PT Mulia Tani Jaya, Medan?
2. Does Perceived Value have partial impact on Customer Satisfaction at PT Mulia Tani Jaya, Medan?
3. Does Product Quality have partial impact on Customer Satisfaction at PT Mulia Tani Jaya, Medan?
4. Do Perceived Risk, Perceived Value and Product Quality have simultaneous impact on Customer Satisfaction at PT Mulia Tani Jaya, Medan?

1.4 The objective of the Research

Based on the problem formulation the objectives of this research are:

1. To analyze whether Perceived Risk has partial impact on Customer Satisfaction at PT Mulia Tani Jaya, Medan.
2. To analyze whether Perceived Value has partial impact on Customer Satisfaction at PT Mulia Tani Jaya, Medan.
3. To analyze whether Product Quality has partial impact on Customer Satisfaction at PT Mulia Tani Jaya, Medan.

4. To investigate whether Perceived Risk, Perceived Value and Product Quality have simultaneous impact on Customer Satisfaction at PT Mulia Tani Jaya, Medan.

1.5 The benefit of the Research

The writer expects that this research can give benefits both theoretically and practically.

1.5.1 Theoretical Benefit

The research result can be used to expand, improve and develop the relevant theories especially in the Perceived Risk, Perceived Value and Product Quality and its effect towards Customer Satisfaction.

1.5.2 Practical Benefit

The practical benefits on this research are:

1. For the writer

The writer as the researcher to get more experience in doing the research and as an addition to knowledge with regard to Perceived Risk, Perceived Value, Product Quality and Customer Satisfaction.

2. For the company

To provide useful suggestion for the company in increasing Customer Satisfaction especially improving the Perceived Risk, Perceived Value and Product Quality.

3. For other researchers

To be an additional reference, reference material for further research and information to interested parties in assessing the problem the same in the future.

