

CHAPTER I

INTRODUCTION

1.1. Background of Study

In this globalization era, there are a lot of business that have the same characteristic and the model on developing the business. This causes the business become more and more competitive. Every company is asked to provide the best strategy in order to satisfy the demand from the market and also do an evaluation again and again. Every manufacturer must prepare themselves to embrace the revolution in the manufacturing industry in order to remain competitive in the turbulent economic conditions in a market that is always competitive (Machado et al., 2020) It has been the aim on every business to survive and grow in the industry. Furthermore, sustainable manufacturing can be used as an integration process in producing quality products and services with lower resources, safer for employees and the surrounding community. Manufacturing technology has always focused on processes and equipment, but production engineering and plant planning operations management also play an important role in this industry (Silva, 2019). In addition, the data of manufacture industry in Indonesia shown in figure 1.1.

Provinsi	Laju Pertumbuhan PDB Industri Manufaktur		
	2020	2021	2022
ACEH	-4,43	2,53	4,19
SUMATERA UTARA	-0,84	1,43	1,98
SUMATERA BARAT	-0,54	3,72	1,74
RIAU	1,91	4,08	4,73
JAMBI	0,12	1,27	3,05
SUMATERA SELATAN	0,72	2,18	4,39

Figure 1. 1 Data of Manufacture Industry in Indonesia
Sources: Badan Pusat Statistik (2023)

According to Badan Pusat Statistik (2023) data about manufacture industry in indonesia from 2020 to 2022 the data shows the growth of the manufacturing industry in Indonesia, especially in North Sumatra, is increasing from year to year, from 2020 to 2021 manufacturing industry in North Sumatra increase 158% from - 0.84 to 1.43, and from year of 2021 to 2022 increase 38.4% from 1.43 to 1.98. Those data explains that the increasing manufacturing industry in North Sumatra has made this industry have many new competitors and with the increasing number of manufacturing companies in North Sumatra. Thing that need be considered by company so that customers can stay is to pay attention to several aspects such as competitive prices perception, product quality that can satisfied customer needs, as well as services that can make customers prefer our company over other companies. Afnina and Astuti (2018) state that, Quality is very important and is a factor of competitive advantage in the manufacturing industry. Product quality has become very important since the world market competition is getting bigger and tighter. The competition is due to the rapid globalization in the world. rapid flow of capital and resources and products to other countries in the world. Customer satisfaction will improve if some of those aspects has been fulfil by company to compete with the other company. In recent years, the manufacturing industry has experienced a higher digital transition towards cleaner, connected and decentralized productivity (Silva, 2019).

One of the ways to survive the industry for the company or business is by maintaining the level of customer satisfaction. It shows that a customer is satisfied with the product of goods and service from the company itself. Most of the company

sets the business up for a long term. Satisfaction is an important principle in business because it can give a positive value in business if satisfaction has exceeded customer expectations. Furthermore, customer satisfaction has an important influence on product competitiveness, so companies need to examine the level of satisfaction in the context of competitiveness (Suchanek, 2019).

There are some factors that may triggered the customer satisfaction. It might be the price perception, product quality, and also the service quality of the company. According to Willis and Nurwulandari (2020) price perception is the main factor that supports the level of customer satisfaction, if the price goes up, the customer will switch to another service provider. Price is the value of money required to obtain some products and services. Price perception is also a comparison for customers to choose an item or service, the suitability of the price offered will adjust the level of customer satisfaction. If several goods or services are of the same quality but at different prices, the customer will choose a service or product that is more affordable (Ali Qalati, 2019). Customers are very sensitive to the price of a product, in addition, company need to be careful in determining the price of a product.

Furthermore, product quality shows that the value of the product from the company to its customers. Based on the product that has a high or better quality compare to the substitution product tends to attract more customers and it may causes the customers satisfied with a better quality product. According to Afnina and Astuti (2018), quality is the dominant thing in every company, along with the time, flexibility in meeting customer satisfaction (products made according to what

customers expected) and competitive selling prices, quality are key and strategic in fulfilling customer expectations. The ability of a product to fulfil its function expectations, it includes all reliability, durability, accuracy and ease of use and product repair.

According to Rohaeni (2018) Service quality is an effort to meet customer expectations for both products and services as well as accuracy in the method of delivery to provide goodwill to customers. Service quality shows how a company would like their customers to feel comfortable with the service they provide and the company also require to provide a good impression toward the customers itself.

PT Mandiri Makmur Indometal is company that was established on 2020, located at Jalan Medan Tanjung Morawa KM 13.2 No.140, Medan. The company operates its business in the industry that engaged in manufacturing, foundry and engineering. This company produce their product based on the request of the customers. In this study, writer has conducted interview with the owner and found out the company has several problems regarding the price perception, product quality, and services quality at the customer satisfaction case.

Based on the price perception that are set by PT Mandiri Makmur Indometal compared with the other competitors are still considered higher than the other competitors. This study will focused on several products such as Lorry Wheel, Hanger Bearing, and Thurst Bearing as the product. The data below shows in Table 1.1.

Table 1. 1 Price Perception of the Product Comparison

Years	Product	PT Mandiri Makmur Indometal	PT Graha Cipta Metalindo
2021	Lorry wheel	Rp 35.000/ pcs	Rp 30.000/pcs

	Hanger bearing	Rp. 262.000/ pcs	Rp 250.000/ pcs
	Thurst bearing	Rp 450.000/ pcs	Rp. 433.000/ pcs
2022	Lorry wheel	Rp 38.000/ pcs	Rp 33.000/pcs
	Hanger bearing	Rp. 265.000/ pcs	Rp 256.000/ pcs
	Thurst bearing	Rp 452.000/ pcs	Rp. 436.000/ pcs
2023	Lorry wheel	Rp 39.000/ pcs	Rp 36.000/pcs
	Hanger bearing	Rp. 268.000/ pcs	Rp 257.000/ pcs
	Thurst bearing	Rp 455.000/ pcs	Rp. 438.000/ pcs

Source: PT Mandiri Makmur Indometal, Medan (2023)

Based on table 1.1, the price perception given for the Lorry Wheel at PT Mandiri Makmur Indometal is considered high compared to the competitors. This is because companies find it difficult to find affordable raw materials to buy and produce. Customer mostly satisfied with the product when a price that are offered can be more competitive than other competitors.

Price perception is an assessment of the product and service offered and considers due to the comparison that occurs. Price perception is an important key in customer satisfaction and loyalty because customers always compare prices and benefits of products purchased from several companies by adjusting their expenses (Wantara Tambrin, 2019).

PT Mandiri Makmur Indometal has experience in decrease of sales in this few yeas from 2021 to 2023. The product quality that offered by PT Mandiri Makmur Indometal is often complained by the customers due to the quality of the product that does not meet the expectation of the customers. Product quality is a value of a product or service depending on how the customer evaluates it according to the product received. Good product quality always increases customer satisfaction in accordance with the value of the product received. Product quality is the ability of the product to provide the best results in use by customers, even

beyond what customers expect (Ali, et.al 2020). One of the reasons that the quality of the product sometimes does not meet the expectation of customers is because of the manufacturing process is still done manually where it strongly relies on the human resource. The following shows Table 1.2 the development number of product sales at PT Mandiri Makmur Indometal, Medan.

Table 1. 2 Number of Product sales at PT Mandiri Makmur Indometal

Years	Product	Number of Sales
2021	Lorry Wheel	1.456 Pcs
	Hanger Bearing	1.697 Pcs
	Thurst Bearing	1.345 Pcs
2022	Lorry Wheel	1.392 Pcs
	Hanger Bearing	1.623 Pcs
	Thurst Bearing	1.295 Pcs
2023	Lorry Wheel	1.352 Pcs
	Hanger Bearing	1.596 Pcs
	Thurst Bearing	1.183 Pcs

Sources: PT Mandiri Makmur Indometal (2023)

According to Rua, et. Al (2020) Products are goods with sale value distributed to the market to be traded, used and consumed with the aim of fulfilling and satisfying customer needs. Product quality has an important function related to the physical performance of the product, whether the product is created, fails or succeeds. In general, customers always assess and see an item in the market or store before buying it, customers tend to look for products with high quality, durable use and longevity by comparing prices with other markets (Amaral, 2020).

PT Mandiri Makmur Indometal come through several number of decreasing sales year by year from 2021 to 2023, from 2021 to 2022 lorry wheel has decrease 4.3%, 2022 to 2023 has decrease 2.8%, hanger bearing sales has decrease 4.3% from 2021 to 2022 and 1.6% from 2022 to 2023, thurst bearing has decrease 3.7% from 2021 to 2022 and 8.6% from 2022 to 2023. PT Makmur Mandiri Indometal received several complaints on products such as the wrong size development, which

are both too small or large and the consistency of product produce is bad due to the strongly relief on human resources and it took a lot of time to complete requests from customers like making the new product that have same size and same consistency within every product, customer tends to avoid waiting too much time while they can find the same product in the other company. Customers seek for a product quality that meets their expectation and their requirements, but the product that PT MMI provide for their customers does not meet the customer's specification which are affecting on their product quality. Other than that, PT MMI's product was frequently damaged when it arrived to the customer. What customer expect their product to be in a good quality, but customers often complaints when PT MMI product had arrived, some of the product had some damages and that is because of their low safety guarantee (cardboard box). Apart from decreasing sales from year to year because of the product quality is not consistent and produce well by the company, the effect of price perception and service quality also play an important role in decreasing sales at PT Mandiri Makmur Indometal, Medan.

According to Pasharibu et, al (2018), service quality is the value given by the customer to the performance of the service received, service quality determines whether the value received by the customer fulfils, exceeds or fails to meet customer expectations. Service quality is a service provided by internal and external customers for providers covering all types of services such as hospitality, completeness, quick response and thoroughness in providing products or services to customers. Regarding the service quality data given by PT Mandiri Makmur

Indometal, there are some complaints from customers that dissatisfied with the service due to the lack of response and lack of ability to provide a good service to customers, one of the cases in this company that writer conducted a preliminary interview was the knowledge from the employees when they deliver the information to the customers. Company also gives less responsive to customer requests. Table 1.3 shows data of service quality at PT Mandiri Makmur Indometal, Medan.

Table 1. 3 Data Service Quality at PT Mandiri Makmur Indometal

Years	Indicators	Customer's data reviews
2021	Responsiveness	85/100
	Tangibility	80/100
	Reliability	78/000
	Assurance	70/100
	Empathy	82/100
2022	Responsiveness	80/100
	Tangibility	77/100
	Reliability	70/100
	Assurance	68/100
	Empathy	78/100
2023	Responsiveness	78/100
	Tangibility	75/100
	Reliability	65/100
	Assurance	63/100
	Empathy	75/100

Sources: PT Mandiri Makmur Indometal (2023)

Based on the table 1.3 data of service quality at PT Mandiri Makmur Indometal is taken from the suggestion box that provided in the office shows that from year of 2021 to 2023, PT Mandiri Makmur Indometal has decreased on service quality due to the customer satisfaction that did not satisfied with the service, in year of 2021 to 2022 has decreased 5.8% on responsiveness, 3.7% on tangibility and 6.6% on reliability, 3% on assurance and 5% on empathy, also from year of 2022 to 2023 has decreased 2.5% on responsiveness, 2.5% tangibility and 7.1% on reliability, 7.94% on assurance and 4% on empathy of every service. Service quality is also a benchmark from customers to companies to assess how well the services

provided are compared to the expectations desired by customers. Customer satisfaction is also the level of customer satisfaction in comparing what is received with expectations, if the customer feels that what he received has been fulfilled, then the customer will be satisfied with the company and provide positive value to the company, it can also make the customers stay in for a long term (Pasharibu, 2018).

In conducting this study in order to help PT Mandiri Makmur Indometal improve the business, this study is needed to know the better understanding whether price perception, product quality and service quality will influence customer satisfaction in PT Mandiri Makmur Indometal, equivalence research about the variables which are price perception, product quality and service quality will be tested. This study will discussed with the title **“The Influence of Price Perception, Product Quality and Service Quality on Customer Satisfaction at PT Mandiri Makmur Indometal, Medan”**.

1.2. Problem Limitation

Due to the limitation of time and resources, this research is limited by focusing only to the price perception, product quality, and service quality as the independent variable and customer satisfaction as the dependent variable. This research is done at PT Mandiri Makmur Indometal, Medan focus on the research that will be done by interviewing the respondents which are the customers of PT Mandiri Makmur Indometal, Medan.

1.3. Problem Formulation

Based on the background of the study that are written above, there are some question that could be answered in this research, which are as follows:

- a. Does price perception have a partial influence customer satisfaction at PT Mandiri Makmur Indometal, Medan?
- b. Does product quality have a partial influence customer satisfaction at PT Mandiri Makmur Indometal, Medan?
- c. Does service quality have a partial influence customer satisfaction at PT Mandiri Makmur Indometal, Medan?
- d. Do price perception, product quality and service quality have simultaneously influence customer satisfaction at PT Mandiri Makmur Indometal, Medan?

1.4. Objectives of Research

Based on the problem formulation that writer mentioned previously, the objectives of this research include:

- a. To investigate how price perception partially influence customer satisfaction at PT Mandiri Makmur Indometal, Medan.
- b. To analyze how product quality partially influence customer satisfaction at PT Mandiri Makmur Indometal, Medan.
- c. To find out how service quality partially influenced customer satisfaction at PT Mandiri Makmur Indometal, Medan.
- d. To evaluate how price perception, product quality and service quality simultaneously influence customer satisfaction at PT Mandiri Makmur Indometal, Medan.

1.5. Benefit of Research

The benefit of this research is divided into two types, which are:

1.5.1. Theoretical Benefit

The result of the research conducted by the writer of this study are expected to contribute to the existing theories that are relevant with the price, product quality, service quality, and customer satisfaction. This study will show whether the price, product quality, and service quality has influence on customer satisfaction at PT Mandiri Makmur Indometal customers in Medan.

1.5.2. Practical Benefit

Every research is expected to have the ability to provide benefits to the parties involved and the parties who read it as well. The practical benefits of this research are:

a. For the Writer

This research result can help writer to expand the knowledge in understanding the relationship between each variable in this research and provide an additional knowledge about the application of each variable, especially on the price perception, product quality, service quality, and customer satisfaction.

b. For PT Mandiri Makmur Indometal

This research serves as a suggestion for PT Mandiri Makmur Indometal, Medan in term of how to provide a better price perception, product-quality, service quality and customer satisfaction.

c. For the Readers.

This research serves as additional knowledge for the readers about the material of variables price perception, product quality, and services quality that influence on the customer satisfaction.

d. For other researchers.

This research is expected to be helpful and serves as a source of reference for other researchers who might need reference of the materials, especially to those who are conducting research with similar topic or variables.

