

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

These days, the demand for products and services has increased and so has the competition among markets. In addition to meeting customer needs, a business must also fulfill their customer satisfaction. Regardless to it, customer satisfaction could be a factor on how a customer feels when he/she interacts with the business or brand. This has proven to be a challenge for a business as nowadays, customer has more knowledge and information, thanks to the technological advancement. Information can be obtained by a simple touch of a button. Thus, because of this, customers have very high standard towards how they are treated as an individual, they would like to be valued by the service that they receive.

It has been generally recognized in the literature that the importance of service quality has an impact towards the success in the service sector. It has also been proven that there is in fact a significant effect. The value of service quality for business success in the service sector has been generally recognized in the literature as a consequence of the significant effect on the various dimensions of business performance. According to Hossain (2012), service quality has an important impact either direct or indirect effect towards the satisfaction of the customer, it also affects the customer loyalty towards the business firm as cited from (Min, 2015). To know the level of satisfaction of the customer, it is needed to know first the service quality

provided by the company to the customer. Parasuraman, et al (1988) in Min (2015) proposed the use of a model to calculate the quality that is recognized by the customer. The model used is called the SERVQUAL model, and is comprise of five measurement that is called RATER. R for reliability, A for assurance, T for tangible, E for empathy, and R for responsiveness). Usually, customer satisfaction will appear after the customer has receive a service experience from the service provider. Customer satisfaction is based on whether the customer has received what they expected from a product or service or not. In order to measure that, customer also considers the merit of the goods or the service obtained during the purchase of the items.(Sunyoto & Eka, 2015).

Alkes Krakatau is a medical supply store that is located at Sutomo Ujung Street no.235, Medan Timur, North Sumatera is a family business that sells medical stuff such as thermometer, medical mask, blood pressure monitor, crutches and so on. Alkes Krakatau has been operating since 2008. They also sell their medical supply through online e-commerce but for this research we will solely focus on the offline store of Alkes Krakatau. By analyzing trough their primary data which are taken from the company data, Alkes Krakatau, number of customer has decreased in the recent months which can be seen from the data below, please take note that the data is from the entire year of 2019.

Table 1.1 Number of Customers at Alkes Krakatau, Medan from January - December 2019

Month	Number of Customers	% of change
January	536	-
February	511	-4.66%
March	487	-9.14%
April	529	-1.30%
May	510	-4.85%
June	553	+3.17%
July	471	-12.12%
August	443	-17.35%
September	484	-9.70%
October	456	-14.92%
November	432	-19.40%
December	447	-16.60%

Source: Prepared by the writer (2020)

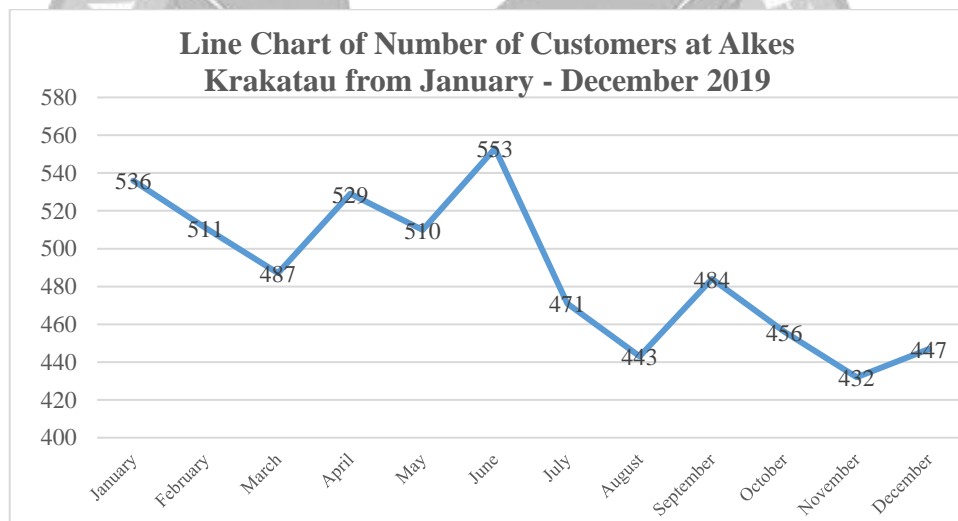


Figure 1.1 Numbers of Customer at Alkes Krakatau, Medan from January - December 2019

Source: prepared by the writer (2020)

Based on the table above, we can conclude that the number of customers tend to decrease over the couple of months. However, during April there was significant amount of increase. The decline of the number of customer mainly

occurred from June. Even though there was a slight increase of customer in September and December but overall the numbers of customers are decreasing from the starting number. This could be an indication of the decline in the quality of service provided by Alkes Krakatau during those time.

As a medical supply store, Alkes Krakatau must pursuit customer satisfaction as one of their goals, it was fairly important for Alkes Krakatau to maintain their customer satisfaction as the more satisfied the customer is, the more likely they will re-purchase or give recommendation to their friends or family.

Based on one of the preliminary interview that the writer has done, one of the customers has complained about the service that they had received. The employee couldn't gave enough explanation about the product, like how to use the product and so on. This has proven to be relevant to the elements of service quality which is reliability, as Alkes Krakatau couldn't perform the promise service accurately and dependably.

The other customers also complained that the receptionist was uninterested in assisting her, they acted snobbish and condescending. She said that she felt unwelcome during her visit at Alkes Krakatau and decided to leave the place. As we can see, Alkes Krakatau has ignored one of the Elements of Service Quality which is Responsiveness, in addition to that the receptionist also lack empathy.

Based on the research of Yuliarmi and Riyasa in Nugroho & Magnadi (2018) about Service quality, it has been demonstrated that there is in fact, a major connection between the Service Quality measurements to the level of satisfaction of the customer.

The writer of this journal realizes that the problems that occurred in this company are the consistency in providing high quality service to fulfill the customer satisfaction. This problem could lead the customers to have low level of loyalty towards the company or product. Based on the statement above, concerning the issue and the connection between service quality and its relation with customer satisfaction, the writer has decided to take an approach on the research with the title: "The influence between service quality towards customer satisfaction at Alkes Krakatau, Medan."

1.2 Problem Limitation

Due to the constraint of knowledge, time, and also information, the research will solely limit the indicators of service quality and also the indicators customer satisfaction. The indicators of service quality are reliability, assurance, tangible, empathy, and responsiveness based on the SERVQUAL model by Parasuraman (1985) in Rahim (2016) meanwhile, the indicators of customer satisfaction are suitability of expectation, the interest of repurchase, and the willingness to recommend. Hawkins and Lonney in (Tjiptono, 2015).

1.3 Problem Formulation

Based on the background story above, we could conclude the problems that are identified are:

1. How is the service quality at Alkes Krakatau, Medan?
2. How is the customer satisfaction at Alkes Krakatau, Medan?

3. Does the service quality has an affect towards the customer satisfaction at Alkes Krakatau, Medan?

1.4 Objective of the Research

The objective of this research are as follows:

1. To evaluate the service quality at Alkes Krakatau, Medan.
2. To evaluate the customer satisfaction at Alkes Krakatau, Medan.
3. To identify whether the service quality affect the customer satisfaction at Alkes Krakatau, Medan.

1.5 Benefit of the Research

The benefit of the research are divided into two which are:

1.5.1 Theoretical Benefit

The theoretical benefit of the research is mainly to show the theory that there is in fact, a prelateship or an influence between the two factors which are service quality and customer satisfaction. Specifically the influence they have on a family business.

1.5.2 Practical Benefit

The practical benefit of this research could benefits:

1. The writer

This research would provide an insight and knowledge about how service quality had an influence towards customer satisfaction.

2. The company

This research could be used as suggestion to give more attention to the RATER aspects with the purpose of achieving customer satisfaction as the result.

3. Other researcher

This research could help other researcher in understanding the aspects of service quality and the impact it has towards the satisfaction of the customer. This research could also be used as a base of reference for future research.

