

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In the course of the most recent couple of years, the enormous development in the decent variety of items and services are offered to customers over all ventures. With this expanded selection of items and services, the bartering intensity of purchasers is rising. The items and services offered by the various organizations don't change much. Customers are in the position where they can browse a variety of items and services from a lot of company. The customer satisfaction is become one of the most important factors which can make customer choosing its' product and services, also it can make customers focus on customer retention and loyalty. One of the significant variables that can effect the satisfaction of the customer is quality services.

Understanding customer service is a standout among the needs for some companies. Service is a profitable asset and if customers do not receive the service expected, customer will go somewhere else. Service has been estimated as far as the opportunity from burden and included to the estimation of items as far as essential administration highlights and the customers involvement with the service.

No companies can be successful without satisfying its customers. The surest way to achieve success and to remain in the mind of customers are obtained by providing high quality of products and services. Excellence in service quality is a key to achieve customer satisfaction which is the primary goal of business organizations, as it helps to retain the customers for company. Service quality is particularly essential in any business since it leads to the superiority through the level of customer satisfaction.

Service quality has been referred as the extent to which a service meets customer needs or expectations. Service quality as a form of attitude representing a long run, overall evaluation of the service received. When we meet the customer desires then it will prompt the consumer satisfaction

where a business term estimation of how items and administrations provided by an organization meet or outperform customer desire.

Service quality is characterized as the general assessment of a particular service firm that outcomes from contrasting that firm's performance and the customer's general desires for how firm in that industry need to perform. Satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations stated by Kotler and Armstrong (2014: p.56).

Navaratnaseelana and Elangkumaran (2014: p.360) stated that, "Research has shown repeatedly that service quality influences on customer satisfaction. Service quality is a magnificent tool to measure the customer satisfaction. Most researchers suggest that a high level of service quality should be delivered by the service provider is the tool for achieving a high level of customer satisfaction. As the quality of services improves, the level of customer satisfaction will increase".

According to Parasuraman et al., (2015: p. 64) Service quality is defined as, "The degree of discrepancy between customers' normative expectation for service and their perception of service performance".

In addition, excellence quality customer service will reflect the ability of the company. This ability will provide a positive effect on customer satisfaction it will encourage trust and confidence of customers to join the company. The accomplishment of customer satisfaction leads to company loyalty and product repurchase.

According to K. Keller (2017: p. 67): Customer satisfaction is "the perception of the customer that the outcome of a business transaction is equal to or greater than he/she expectation".

Servicing a customer is a part of every purchase and interaction with internal and external contacts, and give a strong influence on future purchase intention. With high customer satisfaction will reduce the competition in terms of promotion. Particularly customer satisfaction is to win customer loyalty.

"Since customer satisfaction has been considered to be based on the

customer's experience on a particular service encounter, it is in line with the fact that service quality is a determinant of customer satisfaction, because service quality come from outcome of the services from service providers in organizations.” (Zeithaml et al. 2016, p.106)

PT Belawan Indah Medan located at Jl Raya Pelabuhan I Simpang Kampung Salam No.1 Belawan II, Medan Kota Belawan, Kota Medan, Sumatera Utara 20414. As a company which is the biggest land transportation company in Sumatera, providing a comprehensive logistic service for import, export and domestic cargo for cities and town in Indonesia. The company consistently upgrade their trucks and equipment to give the best service as well as to respond to changes in market demand thus focusing on maximizing client's value.

However, service that company offers does not always meet customer wants and needs. Noticed from the company annual survey data which being taken every time customer having their complaints to the company shown on table 1.1

**Table 1.1. Table of Customer Complaints Jan 2018 – Dec 2018**

<b>Month</b>	<b>Total Customer Complaints (people)</b>	<b>Percentage (%)</b>
Jan 2018	12	-
Feb 2018	16	+33.33%
March 2018	23	+43.75%
April 2018	30	+30.43%
May 2018	38	+26.66%
June 2018	42	+10.52%
July 2018	37	-11.9%
August 2018	35	-5.4%
Sept 2018	30	-14.28%
Oct 2018	32	+6.66%
Nov 2018	36	+12.5%
Dec 2018	20	-44.44%

Source: PT Belawan Indah Medan (2019)

Number of customer complains in year 2018 has been steadily increased throughout the year. Although at the end of the year the number of complaints have reduced significantly, that is due the end of the year the number of transaction has reduced due to holiday seasons is coming. In addition, there is also a cases regarding late delivery, and invoice error.

Based on that problem, writer would like to write his *skripsi* with the title as:

**“The Effect of Service Quality Towards Customer Satisfaction at PT Belawan Indah In Medan.”**

### **1.2 Problem Limitation**

Due to having limited time and knowledge, the writer will limit the scope to narrower the topic to be discussed. The purpose is there will be not many problems to be analyzed and solved.

In this research, the writer will use the indicators of service quality by which are Navaratnaseelana and Elangkumara (2014: p.361) which are tangibility, reliability, responsiveness, assurance and empathy. The indicators of customer satisfaction indicators by Cahill (2015: p.139) which are frequency of transactions, customer referral, loyalty and repeat behavior.

### **1.3 Problem Formulation**

The following is the research question in this research: Does Service Quality has an effect towards Customer Satisfaction at PT Belawan Indah-Medan ?

### **1.4 Objectives of the Research**

The following is the research objectives in this research: to test and analyze whether there is an effect of Service Quality towards Customer Satisfaction at PT Belawan Indah-Medan.

## **1.5 Benefits of the Research**

The writer expects that this research can give benefits, both theoretical and practical.

### **1.5.1. Theoretical Benefit**

To the writer, to be able to practice in the real business world the theories learned in college, experience a methodological research, and make a report of the research conclusion.

### **1.5.2. Practical Benefit**

The benefits of research are as follows:

a. For the company

This research to get proven data that customer service quality can effect to the customer satisfaction by giving solution to the problem.

b. For other researchers

The findings of this study will be used as a reference that can provide useful information on how the company must enhance the customer service to increase organization performance for any research with similar topic in the future.

## **1.6 Systems of Writing**

The systems of writing for this *skripsi* are as follows:

### **Chapter I : Introduction**

In this chapter, the writer describes about the background of the study, problem limitation, problem formulation, objective of the research, benefit of research and systems of writing.

### **Chapter II : Literature Review and Hypothesis Development**

In this chapter, the writer describes some theories that are related to the topic of the study, such as definition of International Business, Marketing, Service, Quality, Service Quality, Customer Satisfaction Indicators of Service Quality, Customer Satisfaction, Marketing Mix, Measuring Service Quality and The Relationship between Service Quality and Customer Satisfaction. The writer presents previous research, develops hypothesis, makes research model and framework of thinking.

### **Chapter III : Research Methodology**

In this chapter, the writer explains the research design, population and sample, data collection method, operational variable definition and variable measurement and data analysis method.

### **Chapter IV : Data Analysis and Discussion**

This chapter consists of general view of research object, data analysis and discussion.

### **Chapter V : Conclusion**

This chapter contains the conclusion, the implication and recommendation of this research.