

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Business environment is guided by technology for the tenacity of its presence in today's difficult and competitive vibrant company world. Companies implement fresh products every day that have the ability to reshape the industry as a whole and customers purchasing behaviour. The evolution of the worldwide economical state has made the market more challenging. Companies must therefore be able to compete by keeping up with consumers' increasing requirements. Companies must abandon old ways of production and pursue one more while inserting critical improvements on all parts of performance. Implementing technology will enable institutions to make a significant contribution to enhancing the manufacturing mass and market development as well as building competitiveness.

The range of manufacturing provides consumers the liberty to choose between alternative products taking into account their quality level, which has compelled institutions to focus on offering high quality products with sensible prices in a manner that does not favour high quality over price. In crowded market today, quality today is a main differentiator. If the business does not fulfil the expectations of customers, they will search for options rapidly. This demonstrates how important quality is to fulfil customers and maintain their loyalty in order to continue repeating business in the future. The quality of products has an important contribution to income and profitability of a company for long-term. This is because when customers are fully satisfied, they are more likely to become loyal customers and spread positive word for the company and its products. (Selvaraj, 2018)

Additionally, product quality reflects on the reputation of the company. The increasing significance of social media indicates that customers can easily give their views and critics of product quality on forums,

product review websites and social network platforms, such as Instagram and Facebook. A strong reputation for quality in highly competitive markets can be a significant differentiator. When customers are satisfied, they are less likely to purchase from competitors. They are also more likely to spread positive review about the company and its products. (Ferrell & D. Harlines, 2014) If companies continuously generate what they promise, customers are much more likely to share their happiness on social media platforms that will help to drive brand awareness and also will create the much-wanted “Fear of Missing Out” (FOMO) impact. Social-media users that notice the company’s strong reputation will also want to purchase goods or services that the company offer. (Hoe & Mansori, 2018)

PT Sintong Abadi was founded in 1996 and is an integrated palm oil business that produces a variety of products across the supply chain of palm oil. The company combines the expertise of individuals who have worked in the sector to come out with many high quality products for many years. PT Sintong Abadi manufactures oil products such as cooking oil, bakery shortening, margarine, cream fats, frying fats, and also palm kernel oil. The company also manufacturing personal care goods, household products, animal feeds and palm wax in order to meet their customers’ need.

Together with farmers and customer in developing new products, PT Sintong Abadi pledged to provide good quality of oil and industrial product to the world. The company also motivates and keeps good relationship with their partner in order to ensure repeat purchases. Investments in production and technology have enabled large demands in any packing size of business oil products with the opportunities of new markets,.

PT Sintong Abadi is facing problem with their palm oil products where there are many complaints come from the customers. It is known that the numbers of customers and sales are decreased for these few years as shown below:

Table 1.1 Customer and Sales Data of PT Sintong Abadi

| Year | Number of Customers | % Change | Sales Achievement | % Change |
|------|---------------------|----------|---------------------|----------|
| 2014 | 81 | - | Rp29,445,000,000.00 | - |
| 2015 | 86 | 6.17% | Rp34,409,200,000.00 | 16.85% |
| 2016 | 88 | 2.32% | Rp37,800,670,000.00 | 9.85% |
| 2017 | 79 | -10.22% | Rp28,126,600,000.00 | -25.59% |
| 2018 | 65 | -17.72% | Rp24,879,230,000.00 | -11.54% |

Source: Prepared by the Writer (2018)

The above tables shows that from the year 2016 to 2017, the number of customer is decreased on 10.22%, the sales achievement is decreased on 36.44% and from the year 2017 to 2018, the number of customers is decreased on 17.72%, the sales achievement is decreased on 28.08%.

The number of customer and sales achievement data can be seen in the following graphic:

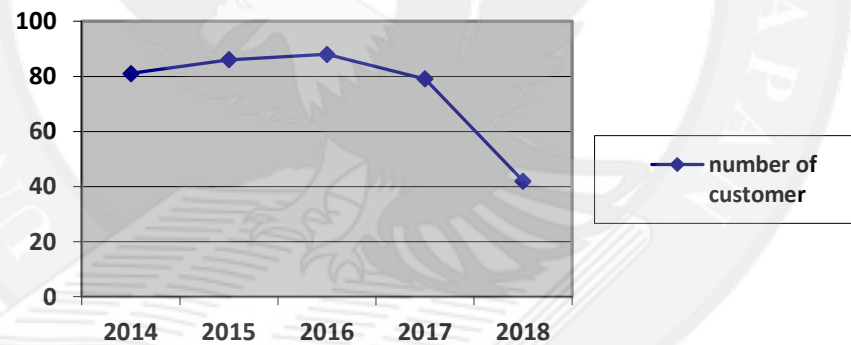


Figure 1.1 Number of Customer Graphic of PT Sintong Abadi

Source: Prepared by the Writer (2019)

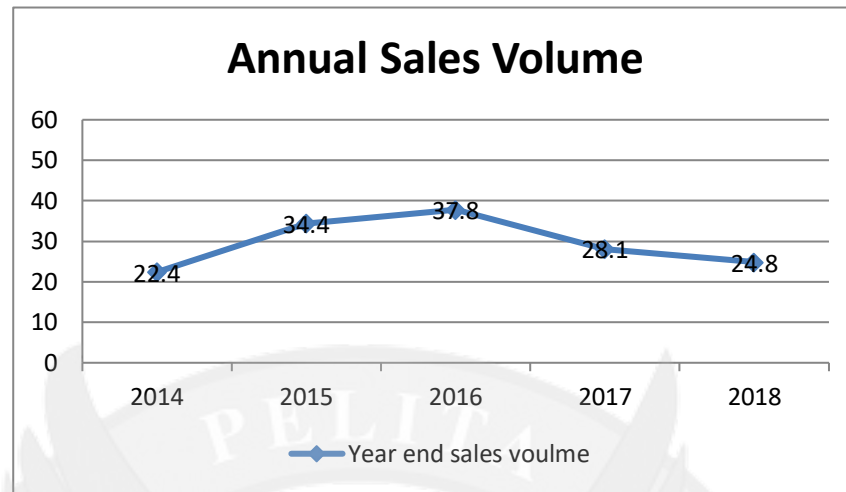


Figure 1.2 Sales Achievement Graphic of PT Sintong Abadi
 Source: Prepared by the Writer (2019)

The writer does tracking and find information that some customers are dissatisfied with PT Sintong Abadi in term of delivery time, logistics are a mess and also product quality. Specifically, product quality is the most frequently occurring complain in the company. Many of them complained that the quality of the product is decreased during these few years.

Based on this review, the writer decides to conduct a research entitled **“The Impact of Product Quality towards the Customer Satisfaction at PT Sintong Abadi”**.

1.2 PROBLEM LIMITATION

This study aims to investigate the overall impact of product quality on customer satisfaction in PT Sintong Abadi. This research will focus on palm oil products of PT Sintong Abadi. As the object of research. This research will analyze product quality, as independent variable, whose indicators are performance, features, durability and its impact towards customer satisfaction, as dependent variable, whose indicators include conformity of expectation, interest of visiting again, the willingness to recommend.

1.3 PROBLEM FORMULATION

Related with the background of study explained above, here are the formulation of the research questions as follows:

- a. How is the quality of products at PTSintong Abadi?
- b. How satisfied are customers of PTSintong Abadi?
- c. Does product quality have impact towards customer satisfaction at PTSintong Abadi?

1.4 OBJECTIVE OF THE RESEARCH

Below are the objectives of the research as follow:

- a. To evaluate the product quality of PT Sintong Abadi.
- b. To assess the customer satisfaction level at PT Sintong Abadi.
- c. To analyze whether product quality has impact towards customer satisfaction at PTSintong Abadi.

1.5 BENEFIT OF THE RESEARCH

Benefit of the research according the objective and problems found during the research are shown below:

1.5.1 Theoretical Benefit

The findings of this research are expected to contribute in developing current theories, especially regarding product quality and its impacts towards customer satisfaction. Besides, it will also assist the writer to learn to evaluate theories from various points of view and create statements based on what the writer has learned. The writer therefore has a better knowledge about the concept of product quality and customer satisfaction as well as the capacity to look objectively at things that will be useful in the future. The research results are also expected to contribute to the development of relevant theory.

1.5.2 Practical Benefit

The practical benefits of this research are as follow:

- a. For the writer, this research allows the writer as the researcher to get more experience in doing research.

- b. For the company, to provide useful suggestion for the company in increasing customer satisfaction especially by improving the product quality.
- c. For other researcher, this research will give additional knowledge about the topic discussed that can be used as references for studies on similar area.

1.6 SYSTEMS OF WRITING

The systems of this thesis writing consist of:

Chapter I : Introduction

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

Chapter II : Literature Review and Hypothesis Development

In this chapter, the writer describes about theoretical background, previous research, hypothesis development, research model, and framework of thinking.

Chapter III : Research Methodology

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

Chapter IV : Data Analysis and Discussion

In this chapter, the writer describes about general view of research object, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.

Chapter V : Conclusion and Recommendations

In this chapter, the writer describes about conclusion, implication, and recommendation.

