

CHAPTER I

INTRODUCTION

1.1. Background of the Study

A company's common objective is to run a profitable business, becoming more efficient in the business operation is one of the greatest way to enhance productivity. Conforming to market research firm International Data Corporation (IDC), companies lose up to 30% in revenue each year due to inefficiencies (Candito, 2016). However, many companies carry on with their current state of systems and applications because it has always been their way to run the operation and the business tradition is unlikely to be changed. As the result for still applying antiquated business tools is perceived by the company's bottom line and is likely to cause a problem in the long run business tenacity.

PT. Trinity Palmtrans Indonesia located in Medan is a company operates in organizing shipping and logistic of Crude Palm Oil (CPO). For a company which focus is on the shipping and logistic, the whole shipping process of the goods is very crucial especially to make sure that the quality is being maintained and there is no damage towards the final product when it reached customers. To do so, the whole processes need proper coordination starting from quality control of the CPO which has been processed by subsidiary company. After passing the first stage and now the CPO is ready to be delivered, during the delivering process, the type of transportation used and communication between driver and company plays a significant roles in managing the product quality as well as the scheduled arrival date. The driver is in the bottom line management but still got to play a big role in the successful of the project which to make sure that the product is safe throughout the delivery process, such as the safeness of

product if it suddenly rain, have a direct contact with sun, what if the container shakes too much, can it be stolen if it is stored in a open-sky container and any other possibilities to prevent any misfortunate that can happen. Thus, it needs proper planning and coordination to ensure that the products are delivered to the destination accordingly to the scheduled time. To do so, the appliance of Total Quality Management might bring a great impact on the customers' satisfaction.

The problem that occurs in PT Trinity Palmtrans Indonesia Medan is regarding customer satisfactory level that has been fluctuating each year. The company receive at least 3 complaints each year regarding their service delivery system that is not consistent, this is why some customers are not coming back after having their first business corporation with the company. Increasing number of complaints can be seen from the company's data as follows:

Table 1.1
Number of Customer Complaints

Year	Customer Complaints	% Change
2015	3	-
2016	11	266,7%
2017	8	-27%
2018	15	87%

Source: PT Trinity Palmtrans Indonesia

From the data above, it is shown that each year the company receive an increasing number of customer complaints, even though in 2017 the % change decrease by 27%, but still considered high compared to year 2015. If one customer usually will get 5 projects done per transaction, then it can be accumulated that the company has lost 37 customers equal as 185 projects in 4 years. The numbers will keep increasing if the company's system remains the same and will ruin the company in a long run since it's considered as a loss. Inconsistency in delivering services may be due to lack of Total

Quality Management implementation. One of the strategy of Total Quality Management may help to solve this problem is by setting a standard guidelines to systematic code of conduct.

Nowadays, companies have come to realize that delivery process is part of the important business operation and may result in a big changes of customer's satisfaction. As the solution to have a balanced performance, many companies come to the adaption of Total Quality Management as the goal and is ultimate customer satisfaction.

Total Quality Management (TQM) is a concept that certify quality with continuous improvement, which practice is to ensure the products/services consistently meets or even exceed the customer's requirements (Merih, 2016). He also stated that the key to successful concept passes through constantly seeking improvements, remove out of date methods, and quality control in every stage of production and service delivery. Hence, it needs the participation and commitment from all parties in the process from upper to bottom line management in all sectors including high level strategic planning and decision making, to detailed appliance of work elements.

The reason of applying Total Quality Management as a standard operation is because in today's contemporary business environment, customers can no longer tolerate poor or average quality of products or services. It comes from the belief that mistakes can be avoided, so does defects can be prevented which leads to companies continuously improving their machine capabilities tools and human skill sets to be able to strive for the ultimate customer satisfaction. Nowadays, every business strategy is to compete for customers in a competitive marketplace as customer satisfaction as the key differentiator to the degree that the higher customer satisfaction may leads to a greater customer loyalty.

Customer Satisfaction is one of the most important aspect given the successfulness of one company. It also will effect the purchase decision of a party whether repeat order will be made and is likely to tell and recommend other people or usually called ‘Word of Mouth’ communication (Felix, 2017). Often, dissatisfaction about one particular feature of a service may lead to dissatisfaction of the service as a whole and this is what most company try to avoid. The result of customer satisfaction may help the company to identify important customer requirements to identify what kind of requirements needed for achieving satisfactory in a fundamental level and can improve the service according to areas that are most important to the customer.

To conclude, based on the description above, Writer is interested to find out whether or not Total Quality Management plays a role in customer’s satisfaction level from the research entitled **“The Influence of Total Quality Management (TQM) on Customers Satisfaction at PT. Trinity Palmtrans Indonesia Medan”**.

1.2 PROBLEM LIMITATION

Problem that occurs in the company is due to a misalignment from each job-desk, might come from problem in communication. The front line staffs or customers service are not very friendly as well and such behavior impacts customer’s point of view towards the overall business operation or company’s reputation. Inconsistency in delivering services may be due to lack of Total Quality Management implementation.

In order to optimize the research and avoid confusion, and due to limitation of time and budget, the Writer would like to limit the research to Total Quality Management as the independent variable and Customers Satisfaction as the dependent variable at PT. Trinity

Palmtrans Indonesia located in Medan with the loyal customers (4 years period) of the company as the respondent to this research.

On the other hand, the writer also would like to limit the research to certain indicators as follow: According to Nassar (2015), Variable X; Total Quality Management consists of Continuous Improvement, Good Communication, Timely Service Delivery, Staff Attitude and Adequate Knowledge. According to Ogbe (2016), Variable Y; Customer Satisfaction consists of Assurance, Responsiveness, Reliability, Empathy and Tangibles.

1.3 PROBLEM FORMULATION

Based on the Background of Study, problems that can be identified in this research are as follows:

1. How is the appliance of Total Quality Management (TQM) at PT. Trinity Palmtrans Indonesia Medan?
2. What are the main factors that determine the level of Customers Satisfaction at PT. Trinity Palmtrans Indonesia Medan?
3. What is the relationship between Total Quality Management (TQM) and Customers Satisfaction at PT. Trinity Palmtrans Indonesia Medan?

1.4 OBJECTIVES OF THE RESEARCH

Based on the problems identified, the objective of the research is to analyze and find out:

1. The appliance of Total Quality Management (TQM) at PT. Trinity Palmtrans Indonesia Medan.
2. Factors that determine the satisfaction level of customers at PT. Trinity Palmtrans Indonesia Medan.
3. The relationship between Total Quality Management (TQM) and Customers Satisfaction at PT. Trinity Palmtrans Indonesia Medan.

1.5 BENEFIT OF RESEARCH

1.5.1 THEORETICAL BENEFIT

1. This research can be used to contribute academically and as a source to expand reader's knowledge, especially regarding Total Quality Management (TQM) and Customers Satisfaction area.
2. To help strengthen the study of existing theories of Total Quality Management and its influence towards Customers Satisfaction.

1.5.2 PRACTICAL BENEFIT

1. This research can be used as a reference and input as the source of improvement towards the level of customer satisfactory of PT. Trinity Palmtrans Indonesia Medan by applying the strategy of TQM.
2. The information from the research can be used as a reference material for other researchers and companies in the similar industry or as a comparison study from a different point of view.

1.6 SYSTEMS OF WRITING

The following is the system of writing in this research:

Chapter I Introduction

This chapter explains about the Background of the Study, Problem Limitation, Problem Formulation, Objectives of Research, Benefit of Research and System of Writing.

Chapter II Literature Review & Hypothesis Development

This chapter elaborates the theoretical background of Entrepreneurship, Family Business, Operation Management, Continuous Improvement, Total Quality Management, Customer Satisfaction, Relationship

between both Variables, Previous Research Journals. Hypothesis Development, Research Models and Framework of Thinking.

Chapter III Research Methodology

This chapter will state down the Research Design, Population and Sample Method, Data Collection Method, Operational Variable Definition & Variable Measurement and Data Analysis Method.

Chapter IV Data Analysis and Discussion

This chapter consists of General View of the Research Object, Data Analysis, Descriptive Statistic, the Result of Data Quality Testing, Result of Hypothesis Testing and lastly the discussion.

Chapter V Conclusion

Chapter V consists of Conclusion, Implication and Recommendation.

