

CHAPTER I

INTRODUCTION

1.1 Background of the study

Nowadays, the competition in the market is high especially in attract customers. It is also depending on the level of product developing from the quality of the product that offered to customers. The number of competitors in the business make the company must innovate to generate good profits for the business. In addition to innovation, the also need to know the position of the product sold in the market to show a comparison of market share and market growth from other companies. In industries ranging from heavy machinery to health care to financial services to consumer goods, service innovation is helping businesses find new revenue streams by satisfying their customer's need to get things done.

Entrepreneurs had established their firms on the basis of an innovative idea. Innovation in service firms is a strategically determined process. Service innovations were primarily determined by the strategic situation of the firm. That means that the market situation was the point of departure for the innovation process. The literature on innovation it is also widely argued that the consideration of customers, competitors and market possibilities is usually the point of departure for innovation processes. It is also the most important success factor for innovation activities [Schumpeter, 2005].

Innovation is also term as a successful exploitation of ideas" DTI (2004: p5). This definition includes every type and form of innovation and does not include the purpose of innovation. Freeman and Soete (1997) link innovation with the commercialization of ideas to achieve business growth. This definition created a fine line between invention and innovation as invention needs further modification and development to become useable for customers. These modifications are done by companies and organizations to

earn profit besides business growth. Therefore, to bring invention from laboratories and workshops to superstores and markets companies enhance and modify those products and services.

Service innovation is a process of creative development or new idea implementation which is focused towards augmenting features and functionalities of a services to render more improved quality services to the target audience (customers) (Fichman, 2001).

Customer satisfaction is about assessing customer attitudes about products, services and brands. While it's always been smart to keep customers happy (Kotler 2013). Satisfaction is an overall psychological state that reflects the evaluation of a relationship between the customer or consumer and a company, environment, product or service. Satisfaction involves one of the following three psychological elements: cognitive (thinking/evaluation), affective (emotional/feeling), and behavioral. Expectations are beliefs (likelihood or probability) that a product and/or service (containing certain attributes, features or characteristics) will produce certain outcomes (benefits or values) given certain anticipated levels of performance based on previous affective, cognitive, and behavioral experiences. Expectations are often related to satisfaction and can be measured as follows:

1. **Importance:** Value of the product/service fulfilling the expectation.
2. **Overall Affect-Satisfaction Expectations:** Like/dislike of the product/service.
3. **Fulfillment of Expectation:** The expected level of performance versus the desired expectations. This is "predictive fulfillment" and is a respondent-specific index of the performance level necessary to satisfy.
4. **Expected Value from Use:** Satisfaction is often determined by the frequency of use. If a product/service is not used as often as expected, the result may not be as satisfying as anticipated. For example, a motorcycle that

sits in the garage, an unused year subscription to the local fitness center, or a little-used season pass to a ski resort would produce more dissatisfaction with the decision to purchase, than with the actual product/service.

In International Journal of Innovation Management, Dao Thi Ta stated that the findings show that the two components of service innovation, interaction and support, are the key determinants of customer satisfaction (Dao, 2018).

PT. Sukses Mentari Satelindo Medan was founded by Fendra since 1990, which located in Jalan Medan-Binjai km 13,8 Bintang terang gang Bintang Terang 2. This company is a reputable electronic distributor company in Indonesia especially in satellite TV field. Initially PT. Sukses Mentari Satelindo Medan is just a company that produces nets for the satellite TV, as the business grows then they create some innovation to fulfill the customer satisfaction. The company started to innovate with subscription TV and produce home satellite TV that can store more than 300 TV channels from abroad to be show on our television. This company began to distribute satellite TV to the whole range of Indonesia, especially Java, Sumatera, Kalimantan and many more.

With the passage of time, various competitors in the field of subscription television services in Indonesia are Indovision, Transvision, Aora TV, Big TV, First Media, K-vision, Nex Media, Okay Vision, Topas TV and others. With the competition, the company is required to provide the best service to its customers so that interaction with customers should be done as effectively as possible so that the company can continue to establish good relationships and cooperation with customers. In addition, the customer must also be satisfied and served well because it acts as a strategic partner for business organizations.

The decline in consumer satisfaction PT. Sukses Mentari Satelindo Medan can be seen from customer complaints that occur. Some complaints

about the service were quite disappointing to the customers. In addition, customer complaints are also complaints that are not responded to quickly and accurately by the company. This resulted in a decline in company sales.

Their service provided by the company (PT. Sukses Mentari Satelindo Medan) is still not on part or able to adapt to the new challenge mention above. While others have started to adapt more innovated services such as: membership benefit, online transaction, and online customer feedback & database, etc. For instance: the company do not have an official webpage, thus could utilize webpage and other social media platform to interact with customer with more effective and efficient method. The company are slow in adopting information system that is available to jump in to provide a comparative feature of service innovation. Although, the company have interact with their customer, however the services interaction is not yet maximize hence it find itself difficult to compete.

The interaction can be built by providing more unique or different services to customer, customer service that the company has built should be on communicate to customers to let customers know about their whereabouts. With that the company also can know what the customer needs is and can got some feedback from the customer. Thus, the company can create a service innovation to still up the competition with their competitor. Based on the observation above, the writer interested on making a research with the title **“The Impact of Service Innovation towards Customer Satisfaction at PT. Sukses Mentari Satelindo Medan”**

1.2 Problem Limitation

Due to Limitation of time and budget, the writer would like to limit the research to Service Innovation as the independent variable from Den Hertog (2012) which consists of the service concept, the client interface, the service delivery system, technological options and customer satisfaction as

dependent variable from Zeithaml and Bitner (2012) in Mitha (2017), which consists of product or service features, consumer emotion, attribute for service success or failure.

1.3 Problem Formulation

The following are the research question in this research:

1. What is the service innovation at PT. Sukses Mentari Satelindo?
2. How satisfied are the customer with the service innovation of PT. Sukses Mentari Satelindo?
3. Does service Innovation impact customer satisfaction in PT. Sukses Mentari Satelindo?

1.4 Objective of the Research

The following are the research objectives in this research:

1. To describe the service innovation that used in PT. Sukses Mentari Satelindo.
2. To evaluate the satisfaction level of customers at PT. Sukses Mentari Satelindo.
3. To identify whether service Innovation impact the customer satisfaction at PT. Sukses Mentari Satelindo.

1.5 Benefit of the research

1.5.1 Theoretical Benefit

The result from this research can be used to expand knowledge and contribute to academic area, especially regarding service Innovation and Customer satisfaction.

1.5.2 Practical Benefit

1. For the writer,

As a reference to a research on service Innovation and Customer Satisfaction.

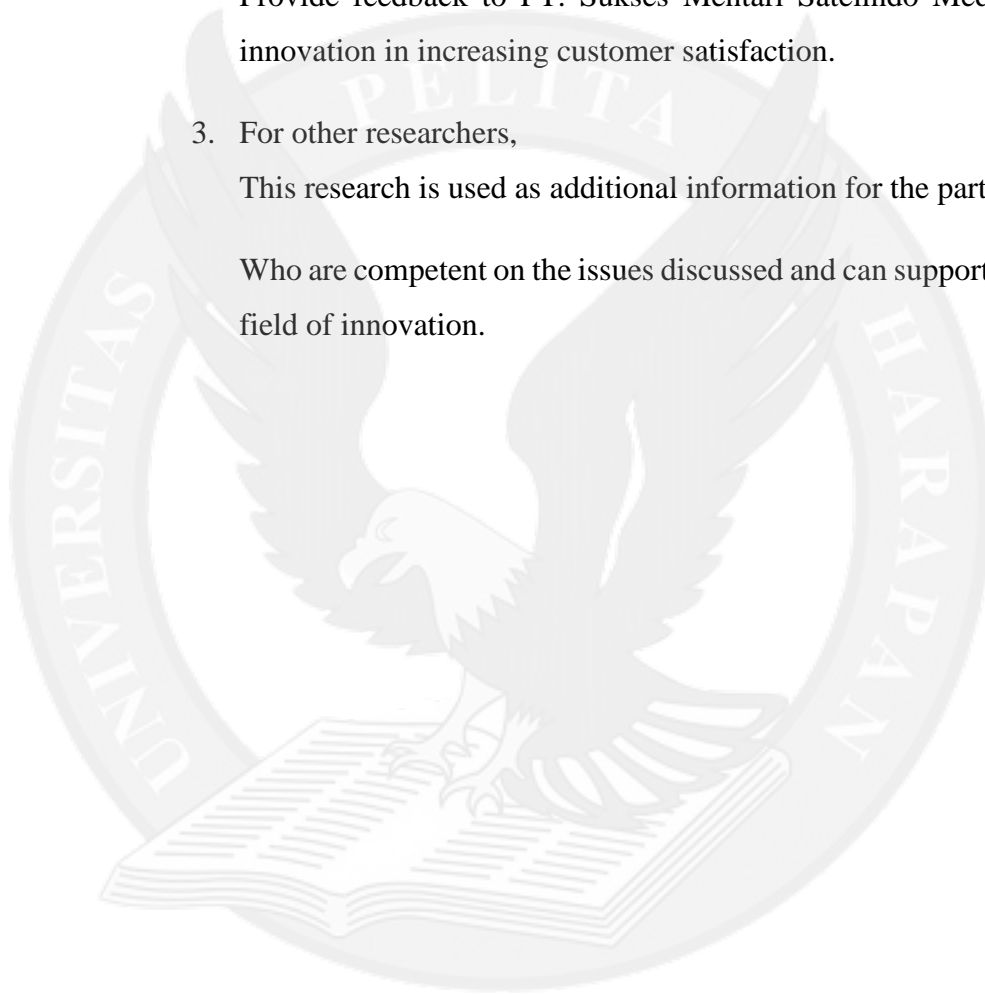
2. For the company

Provide feedback to PT. Sukses Mentari Satelindo Medan on innovation in increasing customer satisfaction.

3. For other researchers,

This research is used as additional information for the parties

Who are competent on the issues discussed and can support in the field of innovation.



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 study, problem limitation, problem formulation, objective of research, benefit of research and system of writing.

CHAPTER II LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter elaborates the theories of entrepreneurship, family business, Innovation, service innovation, Indicators of service Innovation, Customer satisfaction, Indicators of customer satisfaction, Relationship between innovation and customer satisfaction, previous research, hypothesis development, research model, framework of thinking.

CHAPTER III RESEARCH METHODOLOGY

This chapter presents the methodology used in the research. It contains the purposes of the research, method of the research, data collection and data analysis.

CHAPTER IV DATA ANALYSIS AND DISCUSSION

This chapter presents the general view of research object, Data analysis, descriptive statistic, result of data quality Testing, result of hypothesis testing, discussion.

CHAPTER V CONCLUSION

This chapter present about conclusion, implication, and Recommendation from the author for the company.