

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Business has grown quickly in the present age. One of the examples of this change is the technology and lifestyle of people that can't be separated from the globalization impact. The amount of brands and products competing on the market has been different in today's globalization as consumers have freedom to choose and there are various alternative product and service that can meet their needs and wants. Besides, consumers today also have more data about the amount of products available and customers are demanding for brand they are already known about. Therefore, companies must abandon old production method and pursue fresh ones while making critical improvements to all performance components.

The implementation of technology will allow the establishments that can contribute in increasing the manufacturing mass market development, as well as the building competitiveness. The range of product available gives consumer the freedom to choose between alternative products, taking in account their quality level which compelled institutions to pay close attention in providing high quality products with reasonable prices so as not to promote high quality over cost (Selvaraj, 2018). Quality today is a key differentiator in the crowded market. When company fails to meet customers' expectation, customers will search for options rapidly. This shows how quality is very important to fulfil customers and retain their loyalty so that in the future they will continue to repeat the business. Quality products contribute significantly to long-term income and profitability (Kiling & Tumewu, 2016)

The growth of the food and beverage industry in Indonesia nowadays can be obviously considered through the creation of different business and new line products, so that every business will give their best performance for the biggest market share. As the competition in food and beverage business keep increasing, businesses are required to always be prepared to use competitive strategies appropriate with the business environment development in order to keep brand identity against their competitors and still survive in the business condition. Companies are required to be not only creative but also innovative in order to confront the situations that continues to alter, grow, adapt and sensitive to circumstances that enable the businesses to have better understanding and respon to the demands of the customers (Ferell & D.Harlines, 2014). Food and beverage industry is a sector with many kinds and variants of products. Food business is one of Indonesia's highly competitive sectors.

One of the successful culinary business from Indonesia is Es Teler 77. It was started in 1982 by Sukyatno Nugroho. The family oriented business that focused on traditional Indonesian food was run and controlled directly by the members of the family. In 1987, the business implemented franchise system which made it become the first Indonesia fast food restaurant to do so. The business improved when they opened the outlet in malls and plaza regarding the trends in the society. With strong management strategy to support the franchise system outlets, Es Teler 77 received awards from Indonesia Franchise Magazine and Indonesia Franchise Association as the Top Franchise in Asean in 2009 and The Best in Franchise Support, Indonesian Franchisor of the Year 2009. Today, Es Teler 77 has more than 180 outlets spread all over Indonesia and also overseas such as Singapore, Malaysia and Australia.

While Es Teler 77 in Sun Plaza Medan, was started in 2016. The business presented a new design concept that brought modern classics nuances to all of their customers. However Es Teller still carries the concept of traditional food such as *gado-gado*, *bakso*, and oxtail fried rice. Even though the business has successfully operated so far, they are some complains made by customers about the quality of the food. In 2017, a customer found insects inside the food and other customer experienced food that was no longer fresh. For this reason, Es Teler 77 needs to focus their product quality to maintain their satisfaction of customer and retain customers from running away to others. Nowadays, it is not an easy matter to satisfy customers in today business. They pay attention to any single of details before decided to buy. Additionally, as a franchise with international expansion, it is important for Es Teler 77 keep their food standard in every of their outlet.

Based on the review above, the writer decides to conduct a research entitled **“The Impact of Product Quality towards Customer Satisfaction at Es Teler 77 Sun Plaza Medan”**

1.2 PROBLEM LIMITATION

This study aims to investigate the effect of product quality towards customer satisfaction. The research is going to be conducted at Es Teler 77 located at Sun Plaza Medan from the period of March 2019 to May 2019. This research will analyze product quality, as independent variable, whose indicators are materials, technique or ways of production, skill level of people, attraction and its impact towards customer satisfaction, as dependent variable, whose indicators include conformity of expectation, interest in returning, willingness to recommend, and perceived quality.

1.3 PROBLEM FORMULATION

As explained above in the background of study, here are the formulation of the research questions as follows:

- a. How is the quality of products at Es Teler 77 Sun Plaza Medan?
- b. How satisfied are customers of Es Teler 77 Sun Plaza Medan?
- c. Does product quality have impact towards customer satisfaction at Es Teler 77 Sun Plaza Medan?

1.4 OBJECTIVE OF THE RESEARCH

The research objectives are as the following:

- a. Evaluate the product quality of Es Teler 77 Sun Plaza Medan.
- b. Assess the customer satisfaction level at Es Teler 77 Sun Plaza Medan.
- c. Analyze whether product quality has impact towards customer satisfaction at Es Teler 77 Sun Plaza Medan.

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

By doing the research, it gives the chance to implement the concept that the author has learned by using the right terminology and styles to create information that others can understand. Besides, it will help the author to learn from a number of distinct points of view to evaluate theories and then create statements based on what the author have understood. Therefore, the author will have a better knowledge about product quality and customer satisfaction concept as well as the capacity to look objectively at things that will be helpful in the future.

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 various purposes.

1.6 SYSTEMS OF WRITING

The systems of this thesis writing consist of:

CHAPTER I : Introduction

In this chapter, the writer defines 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.

