

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Business growth is currently not going well in line with the declining economic growth in various fields, so most entrepreneurs choose to close their businesses or reduce the number of employees due to decreased income. This is due to the emergence of the corona pandemic problem that makes every entrepreneur must be able to limit the movement of customers in accordance with government policy so that entrepreneurs are required to always be sensitive to changes that occur in the market and be more careful in determining business strategies in marketing products or services.

Creating customer satisfaction when there is a corona pandemic problem is not easy. Every entrepreneur must always pay attention to every problem that occurs in his own company before carrying out business operations. Employers must still be able to produce product quality and good service so that customers can feel satisfied with the performance of entrepreneurs. Customer satisfaction can be defined as customer expectations regarding products in accordance with the performance of good products and services. Because with customer satisfaction, entrepreneurs can retain customers and prevent customers from switching to other companies.

If the customer is satisfied with the product, then customer satisfaction can be used as the basis for planning the product strategy. High quality products are the

things that can trigger the success of domestic and international marketing competition. Customer satisfaction can be measured by how much customer expectations about the product then the company can realize products and services in accordance with product performance and good service. Customers are likened to kings who must be served even though this does not mean handing everything over to the customer. Efforts to satisfy customer needs must be done in a mutually beneficial way where both employers and customers must feel satisfied and no one feels harmed.

Customer satisfaction is inseparable from the product quality, because the product quality is centered on the product offered to the customer by the seller who has a better selling value than the competitor's product. Product quality is one of the things that must always be considered because at this time customers also expect good product quality. With good product quality will of course create satisfaction for customers. Product quality is also the determining factor in the level of satisfaction obtained by consumers after making a purchase of a product. The company should be able to create a product that suits the needs or tastes of consumers because it can influence consumers to make a repurchases or not. Not only production is important but service must also be in accordance with what is expected by consumers so that consumers always trust the products made and produced by the company.

In addition to the product quality itself, the service quality has a direct influence on customer satisfaction. Service quality is all forms of activities carried out by the company in order to meet customer expectations. Service quality is an

important factor in determining marketing strategies, especially in retail business. Good service quality must be carried out for the sake of the survival of a company, whether or not the service quality of goods or services depends on the ability of the manufacturer in meeting customer expectations consistently. Service in this case is defined as a service delivered by entrepreneurs in the form of convenience, speed, relationships, ability and true hospitality aimed at attitudes and characteristics in providing services for customer satisfaction. High quality of service will result in high customer satisfaction and increase customer loyalty. If the quality of service can satisfy customers, then automatically the customer will be loyal.

Furniture is a term used for home furnishings that serves as a storage place for goods, seating, beds, places to do things in the form of a table or a place to put things on the surface. Furniture can be made of wood, bamboo, metal, plastic and so on. Furniture as an artistic product is usually made of selected wood with beautiful colors and textures that are done with a smooth finish. By presenting the right furniture, your house will be more beautiful and attractive. With furniture, you can express the interior of the house that suits your style and personality, because furniture is the main capital in determining the interior of the house.

One of the furniture businesses studied is PT Wira Utama Sentosa Abadi, which is a furniture company owned by the Tandy family. The establishment of PT Wira Utama Sentosa Abadi makes the competition even tougher because apart from PT Wira Utama Sentosa Abadi, similar companies are also in Medan. With increasing competition with similar companies, companies must be able to improve product quality and service quality.

The problem of customer satisfaction is never separated from furniture companies such as PT Wira Utama Sentosa Abadi. This can be seen in the data resulting from the number of permanent and permanent customers at PT Wira Utama Sentosa Abadi from 2017 to 2020.

Table 1.1 Data Results Number of Regular Customers And Not Regular Customers On PT Wira Utama Sentosa Abadi From 2017 to 2020 (people)

Years	Number of Customers	Number of Regulars Customers	Number of Not Regulars Customers
2017	673	36	637
2018	618	45	573
2019	515	55	460
2020	464	62	402

Source : PT Wira Utama Sentosa Abadi, 2021

Judging from table 1.1 that there is a decrease in the number of customers that occurred over the last four years, namely from 2017 to 2020 at PT Wira Utama Sentosa Abadi. This customer data is taken by the company based on customers who come and directly make transactions at PT Wira Utama Sentosa Abadi (not counting customers who shop online). And customers who are regular customers are customers who have been recorded to have shopped more than three times. The decrease in the number of customer is because the company does not seriously respond to any complaints and suggestions from customers about the furniture to be offered such as raw materials do not fit the furniture, the size and shape of the furniture does not match the room. Other than that, employees never offer new furniture to existing customers who have purchased furniture at PT Wira Utama Sentosa Abadi.

The decrease in the number of customers is due to product quality. The phenomenon that occurs in the quality of products is suspected because the raw

materials of furniture used by PT Wira Utama Sentosa Abadi are not in accordance with customer demand or customer expectations such as ordering cupboards, table chairs, and others ask for acacia wood but after the finished goods are mixed with other wood, the durability of the furniture is still less like the presence of mold after a long time using furniture from PT Wira Utama Sentosa Abadi. More of that, Very often factory employees who produce furniture ordered by this customer make mistakes such as incorrectly measuring the size of the sofa or table which results in the sofa or table being incompatible with the conditions of the room that have been previously set. This of course will make customer satisfaction decrease and will have an impact on other potential buyers because it has given a bad impression to previous customers. Lastly, the absence of supporting elements such as attractive color, unique style or shape that can beautify the form of furniture sold in PT Wira Utama Sentosa Abadi from not getting enough impressions or attention from customers, to a lot of enthusiasts.

In addition to product quality, the decrease in the number of customers is also due to the quality of service. The phenomenon that occurs in the quality of service is suspected because every customer who comes, no one directly serves. Whereas in front there are employees who work but they just let the customer look around unaccompanied. When you're done looking around the customer goes again. This resulted in frequent declines in production. Then employees are less quick to respond to any problems arising from the purchase of furniture PT Wira Utama Sentosa Abadi because of the lack of knowledge and information obtained by employees about the furniture sold by the company and when crowded, employees

are not quick in doing service to customers who want to buy furniture so that it causes customers to wait a long time.

Based on description above, the writer want to conduct the research with title **“The Effect Of Product Quality And Service Quality On Customer Satisfaction At PT Wira Utama Sentosa Abadi in Medan”**.

1.2 Problem Limitation

As there are limited in time, budget, and resources, this research will only focus on the effect of “Product Quality” and “Service Quality” on “Customer Satisfaction” at PT Wira Utama Sentosa Abadi in Medan. Moreover, this research of the product quality will only be limited to the performance, reliability, feature, conformance, and perceived quality. Then, for the customer satisfaction will only be limited to the customers’ experience with the product, the customers’ will to recommend the product to their surroundings, and customer loyalties toward product. The population and samples used are all customers who buy furniture from this company during 2020.

1.3 Problem Formulation

Product quality and service quality are the keys to a company's success in improving customer satisfaction. Based on the background that the writers described above, the problem formulation in this research is as follows:

1. Does the product quality and service quality simultaneously affect customer satisfaction at PT Wira Utama Sentosa Abadi?

2. Does the product quality partially affect customer satisfaction at PT Wira Utama Sentosa Abadi?
3. Does the service quality partially affect customer satisfaction at PT Wira Utama Sentosa Abadi?

1.4 Objective of the Research

The objective of this research is :

1. To find and analyze how the product quality and service quality simultaneously affect customer satisfaction at PT Wira Utama Sentosa Abadi
2. To find and analyze how the product quality partially affect customer satisfaction at PT Wira Utama Sentosa Abadi
3. To find and analyze how the service quality partially affect customer satisfaction at PT Wira Utama Sentosa Abadi.

1.5 Benefit of The Research

Based on the objectives of the research to be achieved, this research is expected to have benefits in education both directly and indirectly. The benefits of this research are as follows :

1.5.1 Theoretical Benefit

The theoretical benefits of this research are

1. For writer, this research can develop knowledge of how relationships product quality and service quality with customer satisfaction at furniture company.
2. For other researcher, other researchers can use the writer's design as reference

material or develop relevant titles that related with this research topic.

1.5.2 Practical Benefit

The Practical benefits of this research are:

1. For PT Wira Utama Sentosa Abadi, the results of this study can provide additional information and benefits for the company to be used as an overview in determining appropriate measures in an effort to restore customer confidence so that the company is able to conduct corporate strategies related to product quality, service quality, and consumer satisfaction.
2. For other furniture companies, this research can provide input in product quality management and provide input on how good service quality in improving customer satisfaction.

