

CHAPTER I

INTRODUCTION

1.1 Background of Study

The era of globalization and a free market has caused business competition to grow to be very competitive. By the current state of business, every company is required to bring out all the best management capabilities and arts in order to survive and even be able to win the existing business competition. Business-to-business (B2B) research is one of the studies that looks at the relationship and competition between a business and a similar business, in this case is a ship-import export company. Business-to-business (B2B), also called B-to-B, is a form of transaction between businesses, such as one involving a manufacturer and wholesaler, or a wholesaler and a retailer. Business-to-business refers to business that is conducted between companies, rather than between a company and individual consumer. Business-to-business stands in contrast to business-to-consumer (B2C) and business-to-government (B2G) transactions (Investopedia, 2020).

Currently, freight forwarding services are developing very rapidly. This development is marked by the emergence of a number of companies that have continued to increase in recent years engaged in the same field, namely the shipping service industry. This increase occurred in shipping activities along with the development of the business world and also the rapid development of business using the internet media which is closely related to shipping services. The existence

of market demand for goods delivery is the background for the increasing number of business actors taking part in the shipping industry.

The flow of business development in the era of information technology allows the distribution of products from big cities to market to small cities and vice versa. The importance of improving service quality, customer satisfaction and customer loyalty also applies to the shipping service industry. Competition in the logistics business seems to be getting tighter.

Service quality is a priority in the shipping service business. Service quality is part of the support in services provided when customers use shipping services from the company. In the delivery service business, service support is considered very important in helping the needs of existing customers. With good service quality, it will certainly form customer loyalty, if the service provided is bad, it will certainly make customers feel disappointed and will not be loyal to the company.

Service is the behavior of producers in order to meet the needs and desires of consumers in order to achieve satisfaction with the consumers themselves. This behavior can occur both before and after the transaction. In general, a higher standard of service will result in higher satisfaction and more frequent repeat purchases. The decline in consumer loyalty does not rule out the possibility that this is caused by poor service quality to consumers (Suva, 2017).

Apart from service quality, customer satisfaction is also a priority after providing good service. Customer satisfaction is the result of the services provided in meeting the expectations expected by customers. The importance of choosing customer satisfaction as one of the problems that must be considered in service

companies such as PT. Ocean Network Express. Business midwives of companies engaged in services will prioritize customer satisfaction as one of the most important things in business continuity in the company.

Customer loyalty is a form of loyalty from customers in using the products and services offered by the company. If customers get good service and are able to achieve satisfaction from the services provided, then automatically the customers will be loyal and use the services of the company again because the services and satisfaction provided are in accordance with the expectations of these customers.

This loyalty arises without compulsion, but arises from one's own awareness in the past. Efforts made to create consumer satisfaction are more likely to influence consumer attitudes. Meanwhile, the concept of consumer loyalty emphasizes buying behavior. A customer is someone who continuously and repeatedly comes to the same place to satisfy his desires by having a product or getting a service and paying for the product or service (Martua and Djati, 2018).

PT. Ocean Network Express is a company engaged in the container shipping business which has international shipping coverage and is headquartered at 7 Straits View, # 16-01 Marina One East Tower Singapore. The company owns containers and ships as a medium to serve international shipping. The company serves shipping containers and also provides special shipments for e-commerce. Customer loyalty is the customer's willingness to use the company's services continuously in the future. To see customer loyalty, it can be seen from the following table. The following is data on the number of consumers at PT. Ocean Network Express from 2019 to 2020.

Table 1.1
Amount of Customer from PT. Ocean Network Express
October 2019 - September 2020

Months	Amount of Customers	Number of consumer declines	Percentage Customers (%)
October 2019	230	2	0.87%
November 2019	228	2	0.88%
December 2019	226	26	11.50%
January 2020	200	8	4.00%
February 2020	192	1	0.52%
March 2020	191	1	0.52%
April 2020	190	10	5.26%
May 2020	180	2	1.11%
June 2020	178	1	0.56%
July 2020	177	2	1.13%
August 2020	175	7	4.00%
September 2020	168	0	0.00%

Source: PT. Ocean Network Express, 2019-2020

From the data the company experienced a decrease in the number of consumers. Customers who use the company's services are decreasing from October to September 2020. The downward trend that occurs shows that there is a decrease in the loyalty of consumers who use company services and tend to move to competing companies that are able to provide better service on delivery of customer products.

In running the business, PT. Ocean Network Express also has several competing companies that are quite mature in terms of the business they run and compete with companies as competitors, including:

Table 1.2
Competitor Company from PT. Ocean Network Express

No	Competitor's Name
1	PT Samudera Indonesia (Indonesia)
2	PT Soechi Lines (Indonesia)
3	PT Inti Logistik Makmur (Indonesia)
4	Evergreen Marine Corporation (China)
5	MSC Company (Swiss)

Source: Prepared by writer (2021)

In the table it can be explained that the company has various main competitors from within the country and from abroad who are very experienced in

export and import services on ships with national and international routes and also serve the Indonesia-SGP route which is the same as the route with PT. Ocean Network Express. This of course makes the company's business development more competitive because competitors also have the same route as the company.

The following is the company's revenue data to support the research conducted.

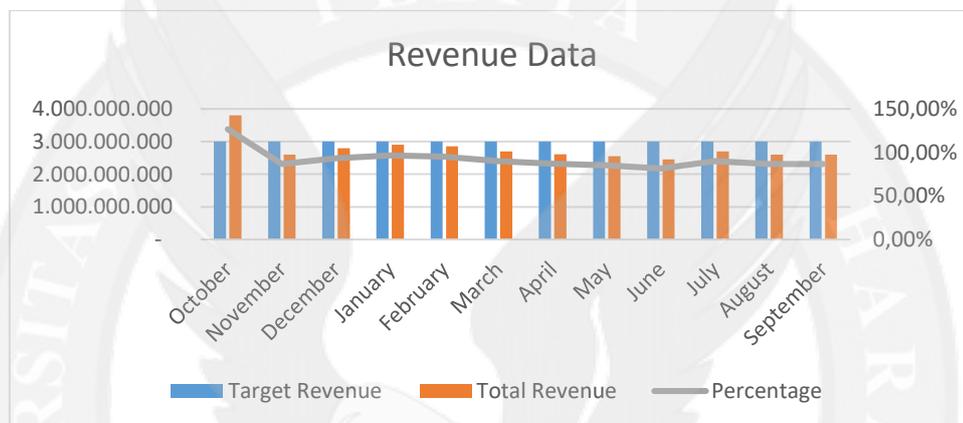


Figure 1.1 Revenue Data of PT. Ocean Network Express

Source: PT. Ocean Network Express

On the quality of service provided by PT. Ocean Network Express, it still has problems such as products that do not arrive on time which cause consumers to switch to other companies, damage to products delivered, errors in the marking code and not all products get insurance from the company that are often submitted by customers. The following is data on service complaints from customers.

Table 1.3
Problems Submitted from Customers PT. Ocean Network Express
October 2019 - September 2020

Months	Problems Submitted by Customers
October	1. Product delivery does not match the estimated date of delivery causing customers to prefer to move to another company with delivery in accordance with the estimated time.
November	
December	
January	
February	2. There is damage due to product orders quality control which are considered not good enough to cause consumers to tend to move to other companies
March	
April	3. There is an error marking code on the product being sent, resulting in an error in the delivery of the goods
May	
	4. In certain products there is no product damage insurance

June	5. Employees tend not to solve problems well and causes consumers to tend not to reuse the company's services
July	
August	
September	

Source: PT. Ocean Network Express, 2019-2020

From the problems posed by consumers, then PT. Ocean Network Express is still frequently receiving complaints from customers. During the Covid-19 pandemic, the company provided services to the company through media such as telephone, email or through direct employee visits if the customer was willing. As for the problems raised by complaints from customers regarding product estimates that did not arrive on time as in the product estimates were up to 1 month and new products could last up to 1 month and 2 weeks and there was a delay in product receipt of about 2 weeks. The occurrence of delays in acceptance shows that the company has not been able to meet the schedule of acceptance according to the promise with the customer, employee service was slow in providing solutions to complaints, there was damage in product delivery such as the product being sent had physical defects when received, then the product received was not partially intact as in table products, chairs that are not fully accepted in their parts when they are to be installed. This shows that there are still problems with the safety of the products being sold, the product insurance that is owned only covers 50% of the maximum claim of the damage to the product delivered. Due to service performance of employees who are still not responsive, employees who are less friendly in providing services, lack of follow-up to customers. This shows that the quality of service provided is still considered poor by consumers.

The phenomenon of customer satisfaction problems experienced by companies today is a problem that causes customer satisfaction to decline, among

others, promotion of cutting shipping costs from companies that are only done 2 times a year, absence rewards in the form of free insurance for customers who have subscribed for more than 2 years, payment of shipping costs, lack of flexibility in payment relief provided by companies that only have a limit every 2 months.

Based on the described, the writer decided to do research with the title **“The Effect of Service Quality and Customer Satisfaction towards Customer Loyalty at PT. Ocean Network Express, Medan”**.

1.2 Problem Limitation

This object of research is customers from PT. Ocean Network Express. With the limited knowledge and abilities possessed by researchers in conducting research, the writer focuses on service quality (X_1) and customer satisfaction (X_2) as independent variables with the indicator for variable service quality (X_1), researcher will take the indicator from Alaan (2016), which is about: tangible, empathy, reliability, responsiveness and assurance. Indicator for variable customer satisfaction (X_2), researcher will take the indicator from Darmono (2020), which is about: hope, performance, comparison, confirmation or disconfirmation. (Y) as the dependent variable with the indicators for variables customer loyalty variables, the writer will take the indicator from Fahrurrazi et al (2019), which is about: Make purchases on a regular basis, buy outside of the product or service line products, recommend products, demonstrate immunity from the attractiveness of similar products from competitors.

1.3 Problem Formulation

Based on the problem identification, the authors formulate problems in this study include is:

1. Does the service quality have effect towards customer loyalty at PT. Ocean Network Express?
2. Does the customer satisfaction quality have effect towards customer loyalty at PT. Ocean Network Express?
3. Does the service quality and customer satisfaction have effect towards customer loyalty at PT. Ocean Network Express?

1.4 Objective of the Research

The objective of the writer is to know:

1. To find out about service quality at PT. Ocean Network Express.
2. To find out about customer satisfaction at PT. Ocean Network Express.
3. To find out how the simultaneously effect of service quality and customer satisfaction towards loyalty at PT. Ocean Network Express.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

This study is expected to be useful to the author herself to add experience in doing research and apply theories obtained from the lectures, as a reference and useful information for other researchers who wish to do further research. It can provide descriptions and useful information for the company in conducting policies

related to the company. The results of this research are also expected to contribute to the theories of service quality, customer satisfaction and customer loyalty

1.5.2 Practical Benefit

The practical benefits of this study related to service quality, customer satisfaction and customer loyalty

- a. For the company: To provide suggestions and feedback on service quality and customer satisfaction through customer loyalty in the company.
- b. For the writer: To obtain that is regarding the service quality, customer satisfaction and customer loyalty, and knowledge that is regarding to the company itself.
- c. For other Researchers: Readers in the future who wish to conduct research and write a paper on their own may find this writing as a reference and guideline of them especially related to service quality, customer satisfaction and customer loyalty.