

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

In the business world, every company always strives to gain success, get profit, and expand the network so that each company can measure the extent to which the company can compete with its competitors to attract buyers. For this reason, company needs to improve and maintain customer satisfaction, so that the customers will become loyal to the company.

Customer satisfaction is an after-purchase evaluation, if customer satisfaction is achieved, customer loyalty will arise, and therefore customer satisfaction is an important thing for the company. One way to achieve customer satisfaction is by improving the quality of service from the company itself. Service quality and customer satisfaction are important elements that must be accounted for in order to improve company goals.

Customers who are satisfied with a product from a brand, generally the customer will continue to buy and use it. Satisfied customer will tell others about their experience of the quality of the products that have been used. One of the ways to maintain customer satisfaction, company can strive in maintaining and improving logistics management activities in the company by providing services to its customers, thereby creating satisfaction for customers when transacting with company.

The research done by Ghoumrassi and Tigu (2018) stated that logistic management has effect to customer satisfaction. This is in accordance with theory by Clausen (2019), “The aim of logistic management should be to reduce their costs and transport emissions and still maintain or even increase customer satisfaction.”

The customer satisfaction should be improved by using some lean and agile solutions, delivery products on time and reduce lead time and delivery time. Customer satisfaction is the most important factor that is maintained by the company because customer satisfaction is a determining factor that a company is successful in attracting its customers to buy the products offered by the company.

PT Bilah Baja Makmur Abadi, Medan is a company engaged in distribution of steel. The phenomenon in the company is the occurrence of dissatisfied customers. They often criticize about the late delivery time by company and company’s inability to deliver all customer orders at the same time, means that must be done in several times delivery. Customers become disappointed and ultimately reduce customer satisfaction. Besides, the customer also complaint about the accuracy of products available at the company because sometimes they cannot have the products they ordered at the time because the products is not available yet.

Dissatisfied customers can harm company. It can cause lost trust from customer, loses trust in the seller, the product being sold and the company. The customers will start to do negative campaign and they will tell their disappointment to other customers. The company will lose opportunity to recruit

new customers. Logically, this is due to the negative campaigns that have flooded by dissatisfied customers. The most serious problems of dissatisfied customer are that the company's image can be eroded, resulting in the destruction of the brand image of the product or service being sold.

The following data shows forms of customer dissatisfaction in 2020:

**Table 1.1**  
**Data of Customer Dissatisfaction**

No.	Problem	Description
1	Products	Company often cannot send customer goods that are written in the same purchase order due to unavailability of goods at a certain time so that the delivery must be done more than once to complete the order. The problem occurs when the customer already needs the goods, but the delivery of the goods cannot be completed within the promised time period.
2	Communication	Poor internal relationships within the company, which has an impact on customers. For example, a lack of communication between marketing and logistics can lead to unclear goods availability information.
3	Human aspect	This aspect is often the main cause of customer dissatisfaction, including employees who are less professional, have a negative attitude, are not quick to respond to customer complaints, do not keep promises, lack of knowledge of the products or services offered, and are less skilled in doing their work.

Source: PT Bilah Baja Makmur Abadi, 2020

The following table shows the customers' complaints from January to December 2020:

**Table 1.2**  
**Customers' Complaints From January to December 2020**

Months	Number of Complaints	Increase (Decrease)	Description
January	11	-	<ul style="list-style-type: none"> <li>- Unavailability of goods.</li> <li>- Cannot complete delivery of goods in time.</li> </ul>
February	15	4	<ul style="list-style-type: none"> <li>- Error in size of item sent.</li> <li>- Error in quantity of item sent.</li> </ul>
March	16	1	<ul style="list-style-type: none"> <li>- Error in delivery terms</li> </ul>
April	18	2	<ul style="list-style-type: none"> <li>- Unavailability of goods</li> <li>- Delivery of the goods cannot be completed within the promised time period.</li> </ul>
May	21	3	<ul style="list-style-type: none"> <li>- Negative attitude of salesperson</li> <li>- Unable to provide adequate information for customers.</li> </ul>

June	22	1	<ul style="list-style-type: none"> <li>- Unable to provide items in specific time</li> <li>- Unavailability of goods.</li> </ul>
July	20	-2	<ul style="list-style-type: none"> <li>- Error in size of item sent.</li> <li>- Error in quantity of item sent.</li> </ul>
August	24	4	<ul style="list-style-type: none"> <li>- Complaint about wrong information from sales person.</li> <li>- Unavailability of goods.</li> </ul>
September	25	1	<ul style="list-style-type: none"> <li>- Sales person doesn't have adequate information for customer.</li> </ul>
October	28	3	<ul style="list-style-type: none"> <li>- Cannot complete delivery of goods in time.</li> </ul>
November	32	4	<ul style="list-style-type: none"> <li>- Error in quantity of item sent.</li> <li>- Late in delivery of items.</li> </ul>
December	34	2	<ul style="list-style-type: none"> <li>- Delivery of the goods cannot be completed within the promised time period.</li> </ul>

Source: PT Bilah Baja Makmur Abadi, 2020

One of the problems that caused dissatisfied customers is logistic management. Based on the above table, there are often complaints from customers to the company related to products issues, such as unavailability of goods, unable to complete delivery of goods in time, error in size and quantity of item sent, and delivery of the goods cannot be completed within the promised time period. Product unavailability is caused by lack of coordination between marketing and logistics so that the goods listed in the customer's purchase order cannot be fulfilled at the agreed time.

Although the company always strive to fulfill the promised lead time to customers, but there are still lead time problems that caused complaints from customers. The company divides lead time into 2 categories which are delivery within the city and out of city delivery. Based on distance and availability of goods, the delivery within city is set between 1 to 5 days, while the out of city delivery is set between 3 days to 2 weeks.

The following table shows some lead time problems in the company:

**Table 1.3**  
**Lead Time Problems**

Months	Promised Lead Time	Completion of Process	Problems
Delivery within the city	1 Days	Late	<ul style="list-style-type: none"> <li>▪ Delivery is delayed due to number of delivery trucks.</li> <li>▪ Error in size and quantity delivery.</li> <li>▪ Error in setting order of delivery schedule plan.</li> <li>▪ Error in inventory available</li> </ul>
	2 Days		
	3 Days		
	4 Days		
	5 Days		
Out of city delivery	3 Days	Late	<ul style="list-style-type: none"> <li>▪ Error in setting order of delivery schedule plan.</li> <li>▪ Error in inventory available</li> <li>▪ Error in delivery coordination process with third party (shipping service provider)</li> </ul>
	5 Days		
	6 Days		
	1 Week		
	> 1 – 2 Weeks		

Source: PT Bilah Baja Makmur Abadi, 2020

The delivery within the city is usually using the truck owned by company. In some condition, the delivery order is too many and the schedule plan is not arranged well. For example, shipment of goods is always adjusted to the order of the customers in timing order. This problem causes improper vehicle arrangements, for example the order of the first order is in the western field, the second in the eastern field, the third in the northern field, the vehicle will transport the goods and deliver in accordance with the order, or in an inverted position starting from the northern field first. Then other vehicles will also do the same. The company does not divide vehicles by region, for example, vehicles that only deliver northern, or only deliver western that might save time and save costs because the vehicle does not need to go around in too many directions.

Besides the lead time problem, the company also has problem in order fulfilment. The company doesn't have quality control that can help employees in arranging the logistics problems. The following table shows some order fulfillment problems in the company:

**Table 1.4**  
**Order Fulfillment Problems**

<b>Types of Problem</b>	<b>Description</b>	<b>Problems</b>
Quality	<ul style="list-style-type: none"> <li>▪ PT. Bilah Baja Makmur Abadi is a distributor company, means that the company only buy goods from manufacture and selling it to customers.</li> <li>▪ The customers don't want to matter if the company is only a distributor company and they still require company to provide best quality products.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The company doesn't have quality control to check the quality of products.</li> <li>▪ The company order products based on the specification such as thickness, length, and other criteria suitable with the customers' needs.</li> <li>▪ Some inventories become rusty if it is too long in the warehouse, so that the company needs to have good inventory management system so that there is no inefficient accumulation of goods.</li> </ul>
Quantity	<ul style="list-style-type: none"> <li>▪ Error in quantity delivered to customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Errors happened from the officer that wrote the delivery order wrong.</li> <li>▪ Errors due to incorrect item availability.</li> </ul>

Source: PT Bilah Baja Makmur Abadi, 2020

The company is not effective in plan of needs. Determining needs are very important in logistical needs. Company has to look at future needs and carefully in analyzing them. This planning error can be related to the type and specification of logistics, the method of logistics procurement, the amount of logistics, the time of logistics procurement, the place or origin of logistics procurement, as well as errors in the logistics price plan.

The process of product movement in the distribution channel requires reliable logistics management, to ensure products are delivered on time, on quantity, on quality, and on location at the most efficient cost. Logistics management in distribution channels includes transportation and warehousing. Distribution is the key to the success of a product.

Company also has problems in recording inventory, where employees who are in charge of recording are often late in recording, causing inaccurate remaining stock. Negligence in recording is an omission in logistical records, both regarding the activity and time of recording itself, as well as regarding the correctness of the data, whether related to logistical types and specifications, quantity, price, source, placement, conditions, or other recording data.

Based on description above, the writer want to conduct the research with title **“The Effect of Logistic Management to Customer Satisfaction at PT Bilah Baja Makmur Abadi, Medan.”**

## **1.2. Problem Limitation**

The objects of this research all customers of PT Bilah Baja Makmur Abadi, Medan. This research refers only to projects that started and finished within 2020 in order to overcome the time limitation. In order to focus more on the problems and object of the research, the researcher defines some variable indicators.

“The indicators variable logistic management are lead time, order fulfillment, order handing, follow up and discharge” (Wiger, 2018, p.107-108).

“The indicators of customer satisfaction are service quality, product quality, price, situational factor, and personal factor” (Rangkuti, 2016:80-81).

### **1.3. Problem Formulation**

The problem formulations are as follow:

1. How is the logistic management at PT Bilah Baja Makmur Abadi, Medan?
2. How is the customer satisfaction at PT Bilah Baja Makmur Abadi, Medan?
3. Does the logistic management have effect on customer satisfaction at PT Bilah Baja Makmur Abadi, Medan?

### **1.4. Objective of the Research**

Objectives of the research are as follow:

1. To know the logistic management system at PT Bilah Baja Makmur Abadi, Medan.
2. To know the customer satisfaction at PT Bilah Baja Makmur Abadi, Medan.
3. To know the effect of logistic management to customer satisfaction at PT Bilah Baja Makmur Abadi, Medan.

### **1.5. Benefit of the Research**

The benefits of the research are as follow:

#### **1.5.1. Theoretical Benefit**

Some theoretical benefits of this research are:

1. For the writer

The research can be used as input to study about logistic management and customer satisfaction, and to compare between theory and practice.

2. For another researcher

The research can be used as reference for other researcher to do another research which has the same topic with this research.

**1.5.2. Practical Benefit**

Some practical benefits of this research are:

1. For PT Bilah Baja Makmur Abadi

The research can be used as input for company to use logistic management to improve customer satisfaction.

2. For other company

The research can be used as reference for other company that wants to improve logistic management and customer satisfaction.

