

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In this era, more and more companies have sprung up in which it will affect the companies that have been established long ago and they will have to compete to gain profits. In order for businesses to survive, whether it is newly established or not, they need to have a competitive advantage that differs them from other companies. For the companies to gain profits, they need to make sure that their customers will continue to purchase or use their products / services as most big companies actually gain their profits only from several loyal customers who purchase their products regularly in large quantity.

One of the most important factors which make the customers choose one company over another is service quality. If the customers are not happy with the service provided by the company, they will feel dissatisfied and might not want to purchase the products of that company ever again. According to Ramya, Kowsalya, & Dharanipriya (2019), service quality is the ability of a service provider to make their customers satisfied with the service provided in an efficient and effective way. Service quality also can be described as an evaluation for the company whether they have already delivered the services up to the customers' expectations or not.

If the company succeeds in delivering the service according to the customers' expectations or even exceeds it, it is guaranteed that the customers will

be satisfied and it will definitely make the company have competitive advantage over others. For example, if the customers are satisfied and happy with the service quality delivered by the company, this may lead to positive customer behaviour, such as willingness to repeat purchase a product or services. This happens as the customers may feel it is too bothersome to find another company to try their product / services as it might lead them to disappointment.

It is known that the focus of every industry is customer as they are involved directly in the process of delivering the services. Hence, this is why customer satisfaction is crucial for companies as it will determine whether the customers will repeat purchase the product / services provided by the company or not. According to Langer as cited in Uzunboylu (2016), customer satisfaction is defined as:

“An evaluation of the customer’s expectations compared to perceived services”.

It implies that the customers will feel satisfied or disappointed upon receiving the services in which they will immediately compare the services delivered with their expected services performance. Thus, if the services are not in line with the customer’s expected performance, the customers will bound to feel disappointed and may not repeat purchase the products / services by that company again.

Service quality plays an essential part in creating customer satisfaction. There are various studies that have tried to evaluate the relationship between service quality and customer satisfaction. According to Dharmalingam, Ramesh & Kannan

as cited in H.M.G.Y.J.Hennayake (2017), it stated that every single attributes of service quality is positively correlated with customer satisfaction.

It has been widely assumed that increases in customer satisfaction have continuous financial benefits for firms. As such, companies that can keep their customers satisfied will have their revenue / sales volume increase or remain the same. According to Zairi as cited in Nafei (2016), customer satisfaction has a positive effect on an organization profitability in which it means that the more satisfied the customers are with the product or services provided by the company, the more likely for them to repeat purchase or even recommend the company's product or services to other people. In this case, the profitability can be seen in the sales volume or revenue of the company.

According to Soltani & Davanloo (2016), sales volume is the amount or number of items sold or services provided by a company in a specific time frame. By knowing the sales volume, the company can make strategies on how to increase it, such as increasing service quality in order to make the customers satisfied and it may lead to the increase of sales volume or revenue as the customers will be loyal and make repeat purchase.

In addition, according to Prastowo and Julianti as cited in Igo, Harisa, & Rizal (2019), sales volume can be used to evaluate company performance and to measure sales effectiveness, assess costs, profit contribution, return on capital, and residual profits of a company.

The research object of this study is CV. Prima Anugrah Mandiri in which it has been established for 20 years. The company engaged in producing ink for

cardboard and also sells chlorine, spare parts for machines related to cardboard, sacks, etc.

Based on the writer observation, the writer found out that there are some problems regarding the service quality and customer satisfaction at CV. Prima Anugrah Mandiri. For instance, there has been some complaints about the lateness of the delivery of the products, the employees are untidy, unfriendly to the customers, could not answer the customers' questions, and also not serve the customers with alacrity because the employees like to procrastinate their job. Thus, it can be seen that the service quality and the customer satisfaction at CV. Prima Anugrah Mandiri is not good enough in which it can be proven through the decreasing of sales volume from 2018 – 2020.

These are the sales volume data from 2018 – 2020 obtained from CV. Prima Anugrah Mandiri:

**Table 1.1 Data of Sales Volume at CV. Prima Anugrah Mandiri from 2018 - 2020**

<b>Year</b>	<b>Sales Volume per Year</b>
2018	Rp 878.536.230
2019	Rp 751.431.045
2020	Rp 643.570.018

Source: Prepared by the Writer (CV. Prima Anugrah Mandiri, 2021)

Based on the data above, it is clear that the sales volume keeps decreasing for the past 3 years. As mentioned before, one of the possible causes is decreasing in service quality in which the customers might feel that it is not good enough, thus, they will not feel satisfied and might feel reluctant to repeat purchase anymore in which this will make the sales volume to decrease automatically.

Also, if the company do not pay attention on the importance of analysing the sales volume, the sales volume might keep decreasing year by year. In addition,

as mentioned before, service quality will impact the customer satisfaction wherein customer satisfaction has a positive effect on a company's profitability in which it can be seen through the sales volume or revenue of the company. As such, it is important to analyse the sales volume of a company in which by knowing whether the sales volume increase or not, the company will know what strategies to make in order for the sales volume to increase, such as increasing the service quality.

Therefore, the writer wants to conduct a research with the title **“The Influence of Service Quality towards Customer Satisfaction CV. Prima Anugrah Mandiri”**.

### **1.2 Problem Limitation**

Due to time, budget, and resources limitation, this study is limited only on “Service Quality” towards “Customer Satisfaction” at CV. Prima Anugrah Mandiri where service quality is independent variable and customer satisfaction is dependent variable. The data retrieval process will be done by giving a survey to the customers of CV. Prima Anugrah Mandiri and the data analysis tool will be simple linear regression using SPSS.

### **1.3 Problem Formulation**

Based on the background of the study, the writer is able to have a problem formulation such as:

1. How is the service quality at CV. Prima Anugrah Mandiri?
2. How is the customer satisfaction at CV. Prima Anugrah Mandiri?

3. Is there any impact of service quality towards customer satisfaction at CV. Prima Anugrah Mandiri?

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

The purpose of this research is to unfold:

1. To know and analyse how is the service quality at CV. Prima Anugrah Mandiri
2. To know and analyse how is the customer satisfaction at CV. Prima Anugrah Mandiri
3. To investigate the impact of service quality towards customer satisfaction at CV. Prima Anugrah Mandiri.

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

Benefit of the research is divided into two sub – chapters as follows:

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

The theoretical benefit expected from this study is a basis and reference to further studies that relate to service quality and customer satisfaction and become the subject for further studies. Other than that, there are also theoretical benefit for:

- a. Student

The writer hopes the result of this research can improve the students' way of thinking theoretically, especially in the knowledge of service quality and customer satisfaction.

b. Lecturer

The result of this research hopefully can be useful input for lecturers to use it as a reference in the teaching and learning process.

### 1.5.2 Practical Benefit

Practical benefits of this research are:

1. For the writer to gain knowledge of the influence of service quality towards customer satisfaction.
2. For the company to make strategies in order to increase the company's customer satisfaction.
3. For other researchers, as reference and information for those who are interested in conducting research by using the same theory, especially on service quality and customer satisfaction.