

# CHAPTER I

## INTRODUCTION

### 1.1 Background of Study

In the face of increasingly tough and competitive business competition, it is necessary to have good skills and strategies in running and developing the business they have. Entrepreneurs as an aspect of the economy need to have different points of view in carrying out business activities. Entrepreneur skills are needed in carrying out business activities by being able to work independently for the advancement of their own business and must also be able to involve employees in the progress of their business.

Entrepreneurship is an effort made by someone based on creative and innovative behavior to produce work and have a selling value and provide benefits for others and be able to create jobs. In addition, as an entrepreneur, maintaining business activities is the same as keeping customers from buying products from the company.

Customers as the main element which will be quite important in building business activities. Companies really need to maintain the comfort that customers have. Customer satisfaction is the main thing so that customers feel comfortable in dealing with the company. By maintaining good relationships between customers will make business continuity more secure in the future.

Customer satisfaction is the main key in maintaining business continuity. Customers who are satisfied will be comfortable and continue to make purchases

from the company. Satisfaction itself is an expression of comfort and satisfaction which is given as a token of appreciation to the company for being able to meet the expectations they have.

The company's ability to maintain customer satisfaction is usually influenced by various internal things such as service, product quality, price and others. However, external factors such as customer expectations and desires will also be related to achieving customer satisfaction.

Product quality is a part of product characteristics with the specifications offered in order to meet current market demands and needs. The quality part is one of the most important considerations for customers in choosing the products they will buy and will meet their expectations.

Previous research also explained the relationship between product quality and customer satisfaction by Razak et al (2016) with the conclusions of the research that found that product quality and price is able to boost customer value where it ultimately creates a customer satisfaction.

According to Muafa et al (2020), a product can be said to be superior by consumers when a product is considered to have more value when compared to competing products. A product can be considered valuable when the benefits provided by the product are equivalent to what the consumer has sacrificed. In addition, a product is considered superior to competitors if the product gives satisfaction after using it.

According to Tijjang (2019), satisfied consumers are consumers who receive more value from the company. Satisfying consumers doesn't only mean

providing additional products or services, services, or systems used. Customer satisfaction is a precious thing to maintain these customers' existence to keep the business or business effort. Thus, only the company with the best product quality will overgrow, and in the long run, that company will be more successful than others. Therefore, good product quality will lead to consumer satisfaction, where the consumer wants, and expectations are met.

PT Andalas Citra Elektrindo was founded in 2001 and is a company engaged in the production and sales of electrical component tools under various brands such as Omron, Philips, Fuji, Hannochs and others. As a family company, this company is managed by Mr. Sugianto as the founder and is also managed in a family business in the company's management structure. The products sold include electrical designs, main switches, panels, vable ladders and other electrical equipment.

The decline in customer satisfaction also has an impact on the number of sales the company has achieved in 2017 to 2020. The following is the company's sales data.

**Table 1.1**

**Sales Data PT Andalas Citra Elektrindo 2017-2020**

Month	Amount of Sales			
	2017	2018	2019	2020
January	1,565,000,000	1,550,000,000	1,455,000,000	1,526,800,000
February	1,512,000,000	1,535,200,000	1,420,000,000	1,458,500,000
March	1,672,000,000	1,553,200,000	1,512,000,000	1,451,000,000
April	1,680,000,000	1,352,300,000	1,511,000,000	1,411,000,000
May	1,536,000,000	1,650,000,000	1,485,000,000	1,432,000,000
June	1,532,000,000	1,550,000,000	1,475,000,000	1,425,000,000
July	1,518,000,000	1,535,000,000	1,535,000,000	1,527,530,000
August	1,652,000,000	1,535,200,000	1,652,000,000	1,255,000,000
September	1,435,000,000	1,487,000,000	1,435,000,000	1,435,000,000
October	1,425,000,000	1,456,000,000	1,425,000,000	1,352,000,000
November	1,415,000,000	1,455,000,000	1,415,000,000	1,362,500,000
December	1,325,000,000	1,350,000,000	1,325,000,000	1,315,000,000

Source: PT Andalas Citra Elektrindo, 2017-2020

From the company, it can be seen that sales data show an increase and decrease from the beginning to the end of the year. In sales, the company shows that there is a dominant decline in sales that has occurred compared to the increase in sales over the last 4 years.

In maintaining current customer satisfaction, PT Andalas Citra Elektrindo is still experiencing problems in the quality of its products. The complaint is submitted by telephone by the customer and then connected to the sales side to the leadership in the company to be continued with the report. In terms of product quality offered by the company, among others, they are still unable to meet customer expectations. There are still product returns that occur every year with the problem of damage to product components, defects in production, damage during the warranty period and malfunction of the product when used. The following data on the number of returns received by the company in 2017 until 2020.

**Table 1.2**  
**Data Number of Complaints**  
**PT Andalas Citra Elektrindo 2017-2020**

Year	Number of Complaints	Complaints Reasons
2017	36	1. The damage to the component's product 2. Product experienced defective 3. Damage of the product during the warranty 4. Products that are damaged in packaging 5. Malfunction product when used and installation
2018	45	
2019	57	
2020	62	

Source: PT Andalas Citra Elektrindo, 2017-2020

From the complaint data received by the company, the number of complaints that occurred was still quite high from 2017 to 2020. This shows that the quality of the product has not been meet the expectations and satisfaction of

customers. Product quality that does not meet the expectations that occur will tend to decrease customer satisfaction who have used the product.

Based on the described, the writer decided to do research with the title "**The Influence of Product Quality on Customer's Satisfaction at PT Andalas Citra Elektrindo in Medan**"

## **1.2 Problem Limitation**

This object of research is customers from PT Andalas Citra Elektrindo in Medan. With the limited knowledge and abilities possessed by researchers in conducting research, the writer focuses on product quality as independent variables with the indicator for variable product quality, researcher will take the indicator from Supriyadi et al (2017), which is about: features, performance quality, durability, reliability and ease of repair. Customer satisfaction as the dependent variable with the indicators for variables customer satisfaction variables, the writer will take the indicator from Simamora and Realize (2020), which is about: overall customer satisfaction, confirmation of expectations, repurchase intention, availability for recommendations and customer dissatisfaction. The problem discussed in this research is limited about product quality and customer satisfaction.

## **1.3 Problem Formulation**

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

1. How is the product quality at PT Andalas Citra Elektrindo in Medan?
2. How is the customer satisfaction at PT Andalas Citra Elektrindo in Medan?

3. Does the product quality have influence on customer satisfaction at PT Andalas Citra Elektrindo in Medan?

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

The objective of the writer is to know:

1. To know the product quality at PT Andalas Citra Elektrindo in Medan.
2. To know the customer satisfaction at PT Andalas Citra Elektrindo in Medan.
3. To know product quality and influence on customer satisfaction at PT Andalas Citra Elektrindo in Medan.

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

The benefits from conducting this research are as follows:

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

1. For Readers

The results of this study can be used as material to show that there are influences and relationships between product quality and customer satisfaction examined by the writer.

2. For Writer

The results of this study can be used as a comparison between the theories learned during the lecture and the reality that occurs in the company, so as to increase the knowledge of the writer.

3. For other researchers

The results of this study are expected to be additional references, reference material for researchers, then interested parties to study the same problem in the future

### **1.5.2 Practical Benefit**

#### 1. For Company

Researchers hope that the results of this study can provide benefits to the company as input or suggestions in an effort to increase considering customer satisfaction to improve product quality

#### 2. For Future Researchers

As a consideration and comparison material for further researchers in choosing the appropriate research title in influencing product quality to improve customer satisfaction.

