

CHAPTER I

INTRODUCTION

1.1 Background of Study

Today's business competition in the era of globalization is getting tighter. Competition is getting tighter for business actors who have competitive advantages in order to survive and compete with other business actors. To win the competition, a company must be able to provide satisfaction to its customers, for example by providing products with better quality, cheaper prices, faster product delivery and better service according to the criteria. (Abdur Rohman, 2017). It is not easy to be the best, besides having to provide the best quality, there are also factors of behavior patterns that are not easy to predict, especially in Indonesia which consists of many islands, so it has a variety of different behavior patterns. The conditions that must be met by a company in order to be successful in the competition are trying to achieve the goal of creating and retaining customers. In order to achieve this goal, every company must strive to provide and deliver the goods and services that consumers want at a fair price. Thus, every company must be able to understand consumer behavior in its target market, due to the company's survival as an organization that seeks to meet the needs and desires of consumers. (Abdur Rohman, 2017).

The influence of advances in science and technology has increased public awareness and demands for good service, including in this case the importers and distributors of businesses which have recently grown rapidly, both in quality and quantity. It can be seen that in almost every capital city in Indonesia, including in Medan, there are many importers and distributors who compete in distributing their products. With so many businesses in the importer and distributor sector, competition is getting tougher between one company and another. With this competition, each company tries to increase the number of customers and keep customers loyal and keep buying the products they distribute.

By increasing customer satisfaction is one way they compete. One of the things that must be considered in increasing customer satisfaction is good service quality. Service quality is one of several important factors in running a business. Therefore, where entrepreneurs compete in developing good quality service to customers. This is one way that entrepreneurs can increase sales of their products. Quality improvement is one of the marketing strategies that emphasizes meeting customer desires. To create high quality service, one of the efforts that companies can make is to offer services that are able to be accepted and felt by customers according to or exceed what customers expect. The higher the quality of service that is felt compared to expectations, the more satisfied customers will be.

The satisfaction felt by customers will have a positive impact on the company, including encouraging the creation of customer loyalty and the

company's reputation will be more positive in the eyes of the public in general and customers in particular. Therefore, every company needs to try to understand the values expected by customers and on that basis then try to meet these expectations as much as possible. Ways that can be taken to understand customer expectations and customer needs include monitoring customer satisfaction such as by observation, surveys, ghost shopping, lost customer analysis (According to Kotler, et al. In Tjiptono & Chandra, 2016: 2019). Efforts to achieve total customer satisfaction are not easy, that is not the reality if a company expects no dissatisfied customers. But of course every company must try to minimize customer dissatisfaction by providing better service. And at the same time companies need to pay attention to consumers who are not satisfied.

This is what happened to the company PT Putra Hadi Jaya in Medan. This company is one of the companies engaged in the distributor and importer of chemicals from various countries to Indonesia. This company has several competitors such as the company PT. Semesta Jaya Abadi, Grand Multi Chemical, PT. Sree International Indonesia, and others. Human life cannot be separated from chemicals and their very important role makes us unable to escape from chemicals in everyday life. Dependence on chemical substances is very high, especially in Indonesia (Novianto 2020). In a developing country like Indonesia, various domestic needs have not been fully produced and fulfilled by themselves, there are still many chemicals imported from various countries. This is what makes the company PT HADI PUTRA JAYA engaged

in the import and distributor of chemicals in Indonesia, one of which is in Medan.

This company originated from PD Seger Chemical was the first company founded in Bandung in 1966 by Mr. Soelaeman Hadi and his wife, Mrs. Soemartini. They started their business by opening a retail store that sold various chemicals. For 50 years PD Seger Chemical has continued to grow, so that on May 16, 1986 the company decided to establish a new chemical company that includes a wider marketing reach named CV Hadi Putra Jaya. Apart from providing various local products, the company has also started to pioneer trade relations with foreign countries by importing chemicals from various countries such as China, India, Germany, Thailand and Korea. Along with the development of the company's activities, CV Hadi Putra Jayam began to expand its operational activities in Jakarta.

In 1989, the branch office of CV Hadi Putra Jaya PT Hadi Putra Jaya 11 was inaugurated, located in West Jakarta. In 1996 the CV Hadi Putra Jaya branch office was inaugurated again, located in Surabaya. On May 1, 2003, CV Hadi Putra Jaya changed its status to Limited Liability Company and its name became PT Hadi Putra Jaya. On January 19, 2009, inaugurated the branch office of PT Hadi Putra Jaya which is located in Semarang. In September 2013, the Medan branch office of PT Hadi Putra Jaya was located at Kimstar Jl. Pelita Raya Kav No. 18 Tanjung Morawa, Deli Serdang, Medan has opened and is ready to operate.

Currently, PT Hadi Putra Jaya already has 5 offices spread across Indonesia, namely Bandung, Jakarta, Surabaya, Semarang, Medan, which are ready to serve customers in various regions in Indonesia. This company will consistently maintain and develop based on the company's principles that have been running so far. The company, which has been in operation for almost 55 years in the last few years, especially those in the Medan area, complains about the reduction in consumers every year. According to interviews conducted with the manager of PT Hadi Putra Jaya Medan every year they experience a decrease in customers of 5% -10% of the total customers who are in Medan Only.

In this case the problems that the company has realized are the poor quality of service they provide to customers such as late delivery of goods, higher prices than competitors, less availability of goods, and so on. But they do not believe that the service quality factor has an effect on the decline in their number of customers. In addition, customer satisfaction is not the main thing for them so they continue to run their business from year to year like that and do not innovate according to the times and consumer demands. Because of this problem, the manager of the company PT Hadi Putra Jaya Medan admits that he has difficulty maintaining customer loyalty. In addition, they also have to strive to find new customers so that the company can operate optimally. We can see in the table below:

Table 1. 1 Data of Customer Activities in PT Hadi Putra Jaya in Medan 2017 to 2020

Year	Number of Total Customers	Number of Loyalty Customer	Number Of New Customers	Customer Activates
2017	235	220	15	+16
2018	247	214	33	+12
2019	259	219	40	+15
2020	274	210	64	+20

Source: PT. Hadi Putra Jaya Medan (2021)

Based on the data in Table 1.1 above taken from the last 4 years, it can be seen that the number of loyalty customers at the company PT Hadi Putra Jaya Medan has decreased from year to year. Therefore, this company is always trying to keep looking for new customers so that this company can operate optimally. Table 1.1 can limit that the company has not maximized customer loyalty efforts to PT PUTRA JAYA Medan. Therefore, this is a problem for companies today The company's lack of seriousness in alarming every customer wish is a factor that the company is aware of. Therefore this decrease occurs from year to year.

The company acknowledges that they are not serious, such as customer complaints are not handled properly, product delivery information, some products that are more expensive than competitors, product unwillingness, employees who are less friendly to customers and so on in the company PT Hadi Putra Jaya Medan, resulting in trust decreased customers towards this company.

However, until now they still do not believe that service quality is one of the driving forces for entrepreneurs to advance their companies. It can be argued that this company has not maximized the quality of its services to create customer satisfaction, so that many customers are not loyal. Therefore, the authors make this study in order to prove that the influence of service quality on customers which can

affect the increase in customer loyalty, increased performance and company performance can run better.

Therefore, based on the above background and seeing how important service quality is in order to achieve customer satisfaction, the researchers are interested in conducting research with the title "**The Influence of Service Quality Toward Customer Satisfaction at PT Hadi Putra Jaya Medan**".

1.2 Problem Limitation

Due to limitation and ability, The writers set variable problem limits on service quality ad independent variables (X) and customer satisfaction as dependent variables (Y), The research conducted in PT HADI PUTRA JAYA in Medan. The population and samples used are all customers who buy product chemical in this company during 2020.

1.3 Problem Formulation

Service quality is one way for companies to increase customer satisfaction so as to make the company achieve its goals. From the background above, the writer describes the formulation of the problem in this study as follows:

- a. How is the service quality at PT Hadi Putra Jaya Medan ?
- b. How good is the customer satisfaction at PT Hadi Putra Jaya Medan ?
- c. What is the influence of service quality toward customer satisfaction at PT Hadi Putra Jaya Medan ?

1.4 Research Objective

The purposes in doing this research are as follows:

- a. To identify the service quality at PT Hadi Putra Jaya Medan.
- b. To identify how satisfied the customer is at PT Hadi Putra Jaya Medan.
- c. To Identify how the influence of service quality toward customer satisfaction PT Hadi Putra Jaya Medan.

1.5 Benefit of The Research

1.5.1 Theoretical Benefit

- 1) The results of this research can be used as input for the development of knowledge about marketing management. As a reference for other research, especially the quality of services.
- 2) This research can develop knowledge of how relationship between service quality with customers satisfaction in chemical company.

1.5.2 Practical Benefits.

- a. For Researchers
 - 1) To find out the application of the theory obtained in the classroom with the reality that occurs in the field, regarding the influence of quality service to customer satisfaction.
 - 2) As a condition for obtaining a Bachelor of Education degree.
- b. For Companies

- 1) As a material consideration for companies in developing the company policies, especially those related to service quality and customer satisfaction.
- 2) As suggestions for improving service quality.

