

CHAPTER I

INTRODUCTION

1.1 Background of the Study

One of the objectives of a company is to be able to survive for a long period of time. To achieve this objective, a company needs to be able to maximize its strategy to be able to compete with its competitors. A company can be strong when it has much of its competitive advantages, as a result the other competitors will find it difficult to compete with it. One of the competitive advantages that a company can have is based on how loyal its customers towards the company.

A loyal customer will only purchase product or service from the company that has been acknowledged by them. It is usually not very easy to take their attention away to another substitute brand of product or service because the image of their perception has been strongly attached to certain brand. Loyal customers are the asset of the company, they are the one who will always purchase, do another repeat purchase, or even encourage other potential customers to also buy the product or service from the company. To obtain more loyal customers, a company should try its best to meet the demand and expectation from the customers. Based on the theory of Salman (2017), "Customers loyalty shows the degree in which a customer exhibits purchase behavior to the same company more often, usually it shows positive attitude towards to the company, brand, its product or service."

Beside meeting their demand in the product, the company should also reconsider of providing a good service quality. Service quality is one of the concepts given by the company to help the customers therefore they can easily know about the company, its products or service given and assurance when they are about to decide their purchase. A business that has high service quality of course has a highly competitive advantage compared to those which service quality is lower. According to Lenin Kumar (2016) "Service quality can be perceived as the consumer's overall evaluation of a specific company from comparing performance of the company with customers expectation on performance of the company based on what come to their thought." Service quality can provide customers with early expectation of the experience they will obtain and for sure the company must meet the expectation as equal as with the customers expectation.

PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan is one of PT Bank Mestika Dharma, TBK branch located in Medan specifically at Gatot Subroto Street. According to observation from the writer at this company by randomly asking 35 random customers of the company, the writer found problems regarding from service quality of the company. Problems from the service quality comes from the complaints from the customers.

Majority of the customers complain about long queue at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan. Based on the observation from the writer, long queue is often seen especially during specific date or during specific time of business hour. During that time of period, long queue is inevitable and

customers must wait for quite a time before they can leave the company for another purpose of activity. Second most complain comes from banking process, especially from mobile banking that sometimes can be slow especially when the traffic is high. The least complain comes from information misunderstanding, it comes from some customers who have misunderstanding in information given by them. The cause either the customer takes the information wrongly or the customers service lack of knowledge deliberating the information to the customers.

Based on the previous 5 years data, it is found that more and more customers are closing their accounts at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan. The number of customers closing their account in previous five years is summarized in table 1.1 below.

Table 1.1 Number of Customers Closing Account at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan.

Year	Number accounts closed
2015	280
2016	283
2017	298
2018	315
2019	321

Source: Interview in December 2020

Based on table 1.1, it is found that number of customers closing their account at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan are increasing steadily year by year. Even though number of new customers are increasing, the number of customers closing their account shows there is a problem with their loyalty with the company. Based on the interview with the manager of PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan, Miss Sylvia Tansa, it is knowing that a loyal customer in the company should at least be active in the account for at least 2 years. A loyal customer will always use the product.

or service from company and hardly ever stop or switch to another competitors. From problems above, the writer then decides to conduct research with the title of “The Influence of Service Quality towards Customer Loyalty at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan.”

1.2 Problem Limitation

Because of the time limitation, the research is limited by focusing on 2 variables. The variables are independent and dependent variables. The independent variable in this research is service quality and the dependent variable is customer loyalty. The location of this research is at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan, which is located at Gatot Subroto Street 99, Medan. Furthermore, this research is quantitative research where the result is represented by data calculation by using linear regression test, determination test and hypothesis test.

1.3 Problem Formulation

The problem formulations on this research are:

1. How is the condition of service quality at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan?
2. How is the condition of customer loyalty at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan?
3. Does service quality influence customer loyalty at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan?

1.4 Objective of the Research

This research aims to:

1. Investigate the condition of service quality at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan.
2. Investigate the condition of customer loyalty at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan.
3. Investigate how service quality influences customer loyalty at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

1. This research benefits the writer to improve his knowledge regarding the subject of service quality and customer loyalty.
2. This research benefits the reader to be a source of report for next research related to the variables of service quality and customer loyalty.

1.5.2 Practical Benefit

1. This research benefits the company to find out the level of service quality and customer loyalty at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan.
2. This research benefits the company as suggestion to improve service quality and customer loyalty at PT Bank Mestika Dharma, TBK. Capem Gatot Subroto, Medan.