

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The more developed technology, communication, and information system, the more competitive the competition in the marketplace. This phenomenon makes every company must work hard to satisfy its customers, so their customers remain as loyal customers. Customers nowadays are a better version of customers before, they are more aware, smarter, know more to compare things in term of price, demand more quality of the product and want the best service quality for them. Thanks to this phenomenon that nowadays customers are somehow being spoiled with variety kinds of products and services that try to compete among one another to gain their interest. Customers now have more choices in purchasing products or services.

Technology development that creates a smarter society makes the customers to demand a good service for them so they can be satisfied. Satisfied means that what they expect is equal to what they have got. Commonly, customers satisfaction is a hope from the customers of what he or she will get based on what he or she believed that has been communicated before written or orally. The hope also can be formed from the last purchase experience. According to Atmaja (2018), “customer satisfaction is a feeling of happiness or regret from the customers after comparing what they expect and what they actually get from a transaction.” In building a business, the most important thing for a business to

have, either it is a product or service-oriented company, is customer satisfaction. Customer satisfaction is a priority to have a successful business. Basically, customer satisfaction is the basic goal that a company must ensure, customer satisfaction can be the gate for customer loyalty, customer repeat purchase and good image of the company.

Every customer expect that they get a good service quality from the product or service that they purchase. A good service quality shows that company is serious and put effort to ensure that customers are happy with their products or services. According to Kotler (2019), “service quality is a form of evaluation done by the customers about the service obtained compared to the service expected by them.” Service quality is combination of company policy together with employee’s good attitude in dealing with customers. A company that can maintain its good service quality level can create a better good image in the eye of both customers and candidate customers. A good service quality can erase the doubt of the potential customers in their first attempt to try the products or services from the company. Company, as it wants to gain trust from the customers, the first thing that it can do is by providing a high standard of service quality. A professional service quality results a satisfied customers that will eventually become a reason for them to come back and even bring more potential customers.

Every customer other than service quality also hope that the price they pay for certain product or service from the company is worth the quality of the product or service they expected. According to Kotler and Armstrong (2019), “price is an amount of money that is charged to the customers when they pay for a product or

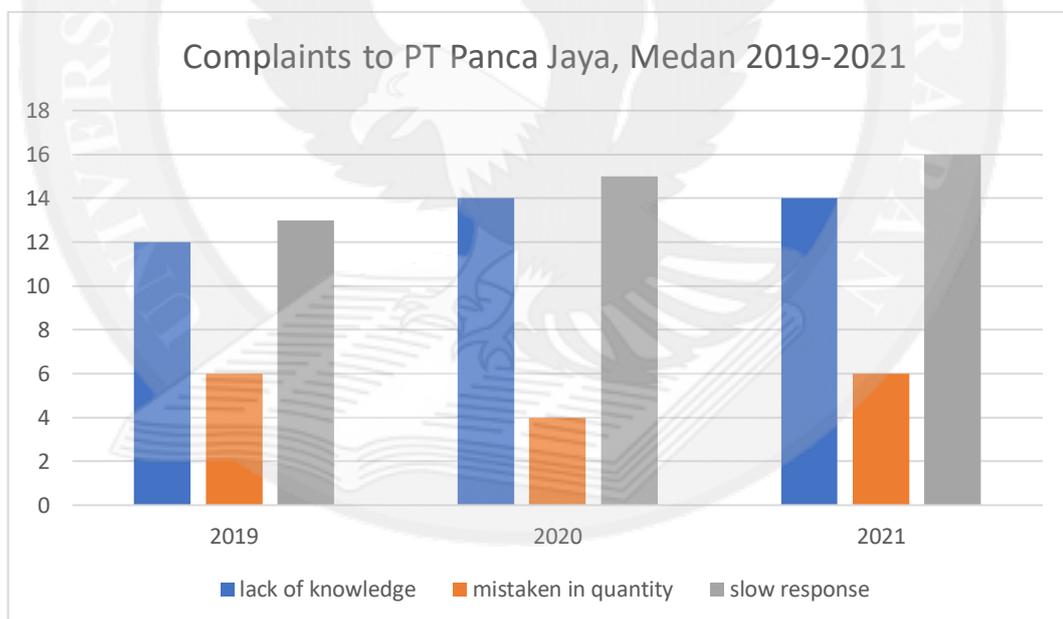
service.” The price they pay should be suitable with the product or service they get. With the competitive competition that happen nowadays, price is one of the great factors whether customers decide to buy the service or product from the company. Basically, price is about demand and supply, even though sometimes price is too high compared to the usual marketplace price, as long as the demand is still high, it is still the reason customers decide to buy the particular product or service.

PT Panca Jaya, Medan is a company which operates in distributing spare part of vehicles, lubricants and tires. This company is responsible for distributing their products to the retailers around Medan city. As the users of vehicles are increasing from a period to another period, the demand for tools or spare part supporting the performance of the vehicles are increasing too. It can be seen from the sales and demand for spare part are rising rapidly. The business of this industry is also growing since many business players start to open this business as an opportunity to grow. The writer observes how the business works and operates. Based on the observation from the writer, it is found that customers tend to complain that some operator does not understand the type of product they sell and is often mistaken with the quantity of the product, furthermore, the employees sometimes do not respond to the customers when they need an immediate reply. This problem causes some operators need to phone the customers twice or thrice for the product availability. The problem is further summarized on the table 1.1 below.

Table 1.1 Problems at PT Panca Jaya, Medan regarding service quality

Year	Complaints of customers	Number of complaints
2019	Employees lack of work knowledge	12
	Employees mistaken with quantity of products available.	6
	Slow response	13
2020	Employees lack of work knowledge	14
	Employees mistaken with quantity of products available.	4
	Slow response	15
2021	Employees lack of work knowledge	14
	Employees mistaken with quantity of products available.	6
	Slow response	16

Source: PT Panca Jaya, Medan (2022)



Based on product price, the price of products in PT Panca Jaya, Medan is set in the margin of profit a bit below than the standard market. Commonly distributor

in Medan set up a margin of 5-6% of the sales of products. The summary of price problem is summarized in table 1.2 below

Table 1.2 Margin comparison of Oil Lubricants at PT Panca Jaya, Medan

Name of company	Products sold	Standardized margin	Actualized margin
PT Panca Jaya, Medan	Oil lubricants	5%-6%	4%
PT Saudara Motor, Medan	Oil lubricants	5%-6%	5.5%
PT Anugrah Karya, Medan	Oil lubricants	5%-6%	5%

Source: PT Panca Jaya, Medan (2022)

PT Panca Jaya, Medan sets a margin of 4%, this strategy is good to attract more customers to buy the products of the company. However, with small margin it is hard to maintain the efficiency of productivity of the company. Sometimes employees make mistakes in the business performance and must suffer loss, with the help of bigger margin, it is assumed that company will still be able to operate and maintain its performance. With small margin, the company should expect that the employees never make mistake in conducting business activity. It is hard to assume that they can do that as human sometimes make mistake which is known as human error.

Some customers could still complain about the delivery speed of PT Panca Jaya, Medan. Based on the interview with the manager of the company, delivery takes a day for the fastest delivery. The summary of delivery speed compared to other companies is summarized on the table 1.3 below

Table 1.3 Delivery Speed Comparison

Name of company	Delivery speed
PT Panca Jaya, Medan	<ul style="list-style-type: none"> • One day after order

PT Saudara Motor, Medan	<ul style="list-style-type: none"> • Immediate delivery when range is within 5km • Afternoon delivery when order is in the morning
PT Anugrah Karya, Medan	<ul style="list-style-type: none"> • Immediate delivery when order in the morning • Next day delivery when it is done in the afternoon

Source: PT Panca Jaya, Medan (2022)

The reason for a day as the fastest delivery is that the company gets so many orders from the customers and the owner of the company still does not want to add another vehicle for additional or support delivery. Customers are not satisfied because they tend to compare the delivery speed with other suppliers.

Based on the problems above regarding service quality, price and customer satisfaction, the writer is interested to create research with the title “The Influence of Service Quality and Price towards Customer Satisfaction at PT Panca Jaya Medan.”

1.2 Problem Limitation

Because of the time limitation, the research is limited by focusing on 3 variables. The variables are both two independent variables and a dependent variable. The independent variables in this research are service quality and price. The dependent variable is customer satisfaction. The location of this research is at PT Panca Jaya, Medan. Which is located at Pulau Menjangan street number C3-C6. 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 Panca Jaya, Medan?
2. How is the condition of price at PT Panca Jaya, Medan?
3. How is the condition of customer satisfaction at PT Panca Jaya, Medan?
4. Does service quality partially influence customer satisfaction at PT Panca Jaya, Medan?
5. Does price partially influence customer satisfaction at PT Panca Jaya, Medan?
6. Do service quality and price simultaneously influence customer satisfaction at PT Panca Jaya, Medan?

1.4 Objective of the Research

This research aims to:

1. Find out the condition of service quality at PT Panca Jaya, Medan.
2. Find out the condition of price at PT Panca Jaya, Medan
3. Find out the condition of customer satisfaction at PT Panca Jaya, Medan.
4. To analyze how service quality partially influence customer satisfaction at PT Panca Jaya, Medan.
5. To analyze how price partially influence customer satisfaction at PT Panca Jaya, Medan.
6. To analyze how service quality and price simultaneously influence customer satisfaction at PT Panca Jaya, Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

1. This research benefits the writer to understand more about the subject of service quality, price, and customer satisfaction.
2. This research benefits the reader to be a reference for next research related to the variables of service quality, price, and customer satisfaction.

1.5.2 Practical Benefit

1. This research benefits the PT Panca Jaya, Medan to find out the level of service quality, price, and customer satisfaction.
2. This research benefits PT Panca Jaya, Medan as input or suggestion for the company to create a better strategy in the variable of service quality, price, and customer satisfaction.