

# CHAPTER I

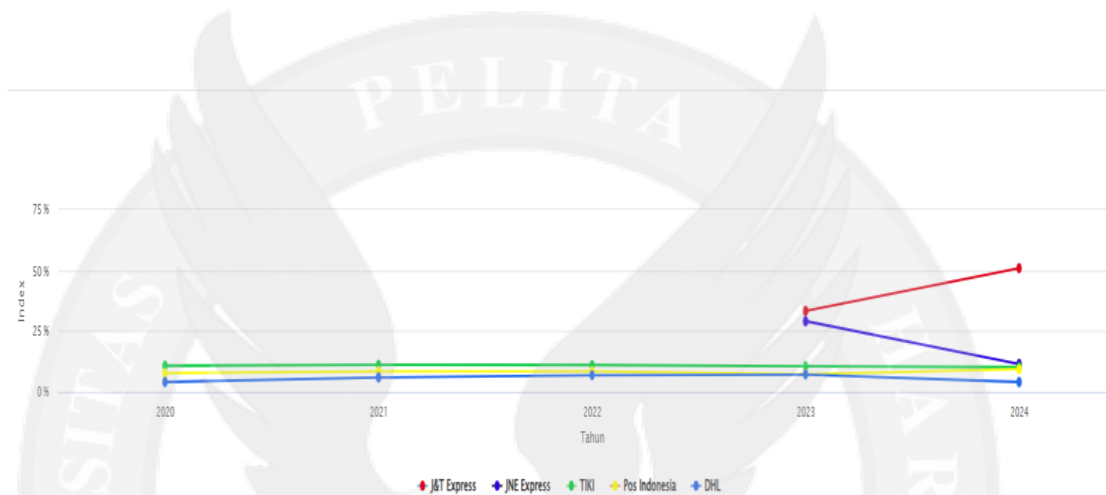
## INTRODUCTION

### 1.1. Background of the Study

DHL Express is a big company known for delivering packages really quickly. It started in 1969 and has become one of the largest delivery companies in the world, operating in more than 220 countries. In developing countries like Indonesia, investment by companies, whether foreign or domestic, is essential to help develop the national economy. With the increasing number of companies, both foreign and domestic, investing, the volume of goods entering (import) and leaving (export) Indonesia also increases. Generally, these companies ship large quantities of goods using sea transportation, while urgent smaller shipments are sent by air transportation. This situation has led to the establishment of many freight forwarder companies, both national and international, in Indonesia. A freight forwarder is a company that acts as an intermediary between the shipper and the consignee. One such international freight forwarder operating in Indonesia is DHL Express.

Customer Satisfaction are more likely to become brand advocates, spreading positive word-of-mouth about the company and its services to their friends, family, and social networks. In today's digital age, where word-of-mouth recommendations can spread rapidly through social media and online review platforms, the importance of customer satisfaction cannot be overstated.

By the start of 2024, DHL Express operated 48 retail outlets and service points across key locations in Indonesia. DHL Express studied is located at Jl. Sisingamangaraja No.27-39 Medan. At DHL Express there is a decrease in customer satisfaction which can be seen from the top brand award obtained which can be seen in the table below:



Sources: Top Brand Award (2024)

**Figure 1. 1. Courier Service in 2020-2024**

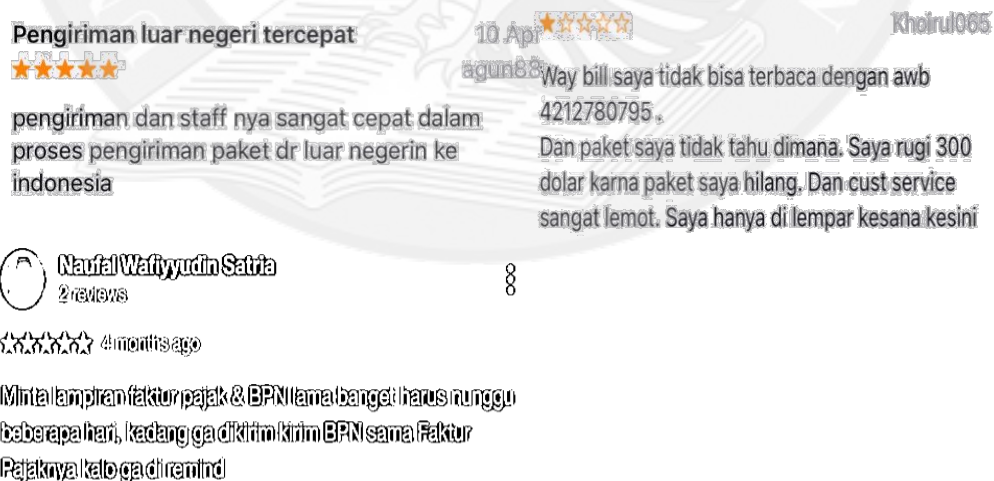
Figure 1.1. shows that since 2020 DHL gained 4.10%, in 2021 DHL amounted to 6%. for the years 2022 and 2023 have increased conditions, namely 6.90% and 7.20%. However, the beginning of 2024 experienced a decrease of 4.10%. Of course this can conclude that the level of customer satisfaction is decreasing.

However, some customers experience dissatisfaction with DHL services, which causes them to switch to other delivery companies. Common reasons for dissatisfaction include issues with tracking, high import duties, slow delivery, missed packages, long waiting times, unexpected price hikes, and a lack of functionality in the application. These challenges lead to disappointment, as

customers expect reliable and efficient service when shipping both locally and internationally.

As online shopping continues to rise, the quality of services provided by logistics companies plays a crucial role in influencing consumer decisions (Hoffman, et al., 2019). From the ease of navigating a company's website to the efficiency of its order tracking system, Service Quality plays a significant role in determining the overall customer experience.

According to (Arini, 2020), Service Quality is considered satisfactory when it can meet the needs and expectations of customers. Measurement of service quality is key to providing more effective and efficient services. To expand market share, companies must produce high-quality products that align with consumer desires and offer excellent service to their customers. However, even when service performance is high, it doesn't always ensure customer loyalty and repeat business, although loyal customers are extremely valuable to the company.



Sources: DHL (2024)

**Figure 1. 2 DHL Service Quality Review**

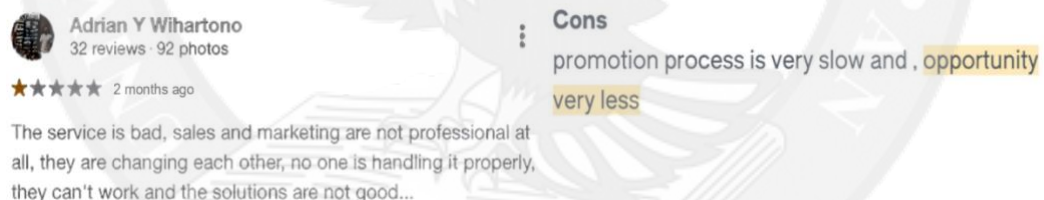
Based on the reliability indicator, it was found that according to customers, the consistency of delivery times is not on time, so it is quite disappointing for customers because of late delivery 4-7 days. In terms of shipping costs are quite expensive but not in accordance with the time promised by DHL express. DHL staff who are still unable to take care of customer complaints quickly, such as complaints about missing items, damage and fee of duties and taxes. Then DHL Express understands what customers want, so DHL Express often offer competitive prices. DHL Express has track and trace so that customers know the status of the package. DHL Express also offers the service My Bill so easy in the payment process. According to customers, regarding the cost of customs duties and others, it is quite bad in its handling. This is because the customer was not given the opportunity to clarify the error because the import duties and taxes were directly paid by DHL without prior notice to the customer. Many customers are surprised about the additional costs.

Not only can we see the shortcomings of the service system provided by the company, but we can also observe issues with how they handle the delivery of goods. DHL Express can be considered inadequate due to complaints from customers about delays in receiving their documents and packages. The phenomenon of service quality problems occurs related to inconsistent delivery times, inefficient handling of customs, inefficient packaging and long response times for customer complaint and issues.

Promotion activities play a vital role in attracting and retaining customers in the fiercely competitive logistics market (Doyle, 2021). Whether through targeted

advertising campaigns, promotional offers, or strategic partnerships, effective promotion can help logistics companies differentiate themselves from competitors and grab the attention of potential customers.

The logistics industry is increasingly competitive, with courier companies like Tiki, Exl Express, JNE, and others has increased with the growth of these delivery services. DHL now faces fierce competition in this crowded market. As more delivery services emerge, the competition intensifies because these companies aim to meet customer demands for efficient package delivery. To succeed in this crowded market, it is believed that the key lies in providing satisfaction through experiential marketing and strategic promotions, alongside offering competitive pricing to retain long-term customers. This emphasizes the importance of delivering excellent customer experience and competitive pricing strategies amidst a competitive landscape.



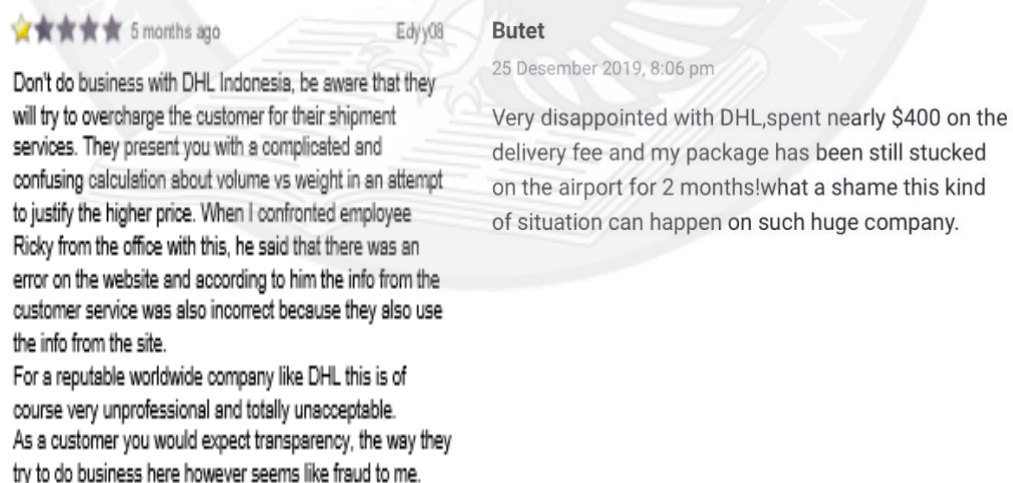
Sources: DHL (2024)

**Figure 1. 3. DHL Promotion Review**

Visibility as a measurement of promotion in this study according to customers who are still problematic. According to customers, although DHL has many promotions, it cannot reach many customers. Because DHL is quite rare utilization of social media marketing. While DHL is too focused on international compared to domestic, so it still lacks brand awareness. DHL has quite a lot of promotions by using various promotional codes such as Discover 40 (credit card),

DHLNCA20 (BCA credit card in collaboration with BCA banking) and SHIPNOW50 (point). However, the promotion is not for the entire transaction is limited to some countries. DHL is relatively consistent in offering discounts to customers (application members at DHL). However, the promotional program has too many rules, which sometimes it does not benefit customers much. The phenomenon of the promotion problem occurs in relation to ineffective market campaigns, which leads to low engagement and poor return on investment. Additionally, limited awareness of services results in missed opportunities to upsell or cross-sell. Furthermore, a lack of targeted promotions contributes to inefficiencies in attracting and retaining customers

According to (Noviasari, 2023), Brand Image plays a crucial role in building trust and loyalty among customers. A strong and positive brand image can instill confidence in customers and influence their perceptions of a company's reliability, credibility, and overall quality of service.



Sources: DHL (2024)

**Figure 1. 4. DHL Brand Image Review**



However, negative reviews related to the invoice from DHL is always problematic at customs so that customers are required to pay 2-3 fold tax. This is certainly very detrimental to customers. According to customers, many customer packages are returned because they are not received in the destination country. Obviously, customers feel disappointed because they pay the shipping cost while the package is returned. Customers feel that they facilitate customers in the delivery process. However, it turns out that the administrative management is quite troublesome for customers at DHL. The Phenomenon of Brand Image problem occurs related to negative public perception so the influence of the problem loss of trust and potential clients switching to other businesses, Perceived high costs so the influence of the problem prospective clients choose less expensive options, and poor online reviews so the influence of the problem a lot of potential customers looking into shipping services.

Based on the background study above, the writer is interested to conduct research with the title **“The Influence of Service Quality, Promotion And Brand Image on Customer Satisfaction In Choosing DHL Express Medan”**.

## **1.2. Problem Limitation**

For the problem limitation, the writer put some limitation for the research to be more organized. As a result of time constraints, this study only discusses the three independent variables, namely Service Quality, Promotion, Brand Image along with one dependent variable which is Customer Satisfaction. According to (Jonkisz, Karniej, & Krasowska, 2022), several of service quality encompasses

five primary indicators are reliability, responsiveness, empathy, assurance and assurance. According to (Smith, 2023), the indicator of promotion as follows visibility, influence, engagement and consistency. According to (Kotler & Keller, 2020), state that the following are some of the indicators that influence brand image are corporate image, product image and user image. According to (Arsyanti, 2020), Customer Satisfaction is assessed through five key indicators are fulfillment of expectations, absence of complaints, satisfaction with core product performance, satisfaction with product benefits and satisfaction with product quality.

The data of this research is gathered from DHL Medan. The data that will be used later is collected from the form of questionnaires that were created for the research object. This research will involve distributing questionnaires to customers Medan to gather data especially looking for men and women aged 18 to 50 who live Medan and have used DHL services before. By focusing on this, we aim to get insights from people who know about DHL and are likely to use their services. DHL Express studied is located at Jl. Sisingamangaraja No.27-39 Medan.

In this study there are various planned activity schedules as follows:

**Table 1.1 Research Timeline**

No.	Description	August				September				October			
		1	2	3	4	1	2	3	4	1	2	3	4
1.	Research Tittle Submission	■											
2.	Proposal Preparation		■	■									
3.	Data collection				■								
4.	Proposal					■	■	■					
5.	Questionnaire Distribution								■	■			
6.	Data processing										■		
7.	<i>Skripsi</i> Preparation											■	■

Sources: Prepared by the Writer (2024)



### **1.3. Problem Formulation**

Based on the description of the background of the problem above, there are identification problems in this study can be identified:

1. Does Service Quality has influence on Customer Satisfaction in choosing DHL Express Medan ?
2. Does Promotion has influence on Customer Satisfaction in choosing DHL Express Medan ?
3. Does Brand Image has influence on Customer Satisfaction in choosing DHL Express Medan ?
4. Do Service Quality, Promotion, and Brand Image have influence on Customer Satisfaction in choosing DHL Express Medan ?

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

The following are the research's goals, which are based on how the problem has been defined:

1. To identify if Service Quality has influence on Customer Satisfaction in choosing DHL Express Medan.
2. To identify if Promotion has influence on Customer Satisfaction in choosing DHL Express Medan.
3. To identify if Brand Image has influence on Customer Satisfaction in choosing DHL Express Medan.
4. To identify if Service Quality, Promotion, and Brand Image have influence on Customer Satisfaction in choosing DHL Express Medan.

## **1.5. Benefits of the Research**

### **1.5.1. Theoretical Benefit**

Enhanced Understanding of Customer Experience: By addressing the factors identified in the research, DHL Express can make sure their customers have better overall experience. When customers are happy, they're more likely to tell their friends about DHL Express and keep coming back, which helps the company grow. Academic Contribution: This research contributes to what we know about customer satisfaction in the delivery industry. It provides evidence and ideas that other researchers and students can use to learn more about how companies like DHL Express can keep their customers happy.

### **1.5.2. Practical Benefit**

Based on the purpose of this research, it can provide research benefits:

#### **1. For the Writer**

In this study, the writer has the ability and capability about service quality, promotion, brand image and customer satisfaction to be able to understand the knowledge in this study.

#### **2. For DHL Express**

In this study, DHL Express is able to evaluate and understand the problems regarding the influence of service quality, promotion, and brand image on customer satisfaction of DHL Express Medan.

3. For other researchers

In this study results, other parties can use this research paper about the influence of service quality, promotion, and brand image on Customer Satisfaction of DHL Express Medan, to be reference in focusing on future research.

