

## **CHAPTER 1: INTRODUCTION**

### **1.1. INTRODUCTION**

According to Kotler (1966, 1994) and Kotler & Stonich (1991), customer satisfaction reflects the degree to which customers feel content with their interactions and overall experience with a company. This satisfaction signifies how pleased customers are with their transactions. It is widely recognized that customers are crucial to the success and longevity of any business, as their presence is essential for operational efficiency. They are a key source of revenue, and their satisfaction plays a vital role in enhancing the quality of products or services offered by businesses. There are several significant reasons that underscore the critical role of customer satisfaction in the business realm. According to Sudiro et al. (2017), customer satisfaction is the level of satisfaction based on the expectations given by customers for the products or services that have been provided. Apart from that, according to Ruslim et al. (2020), customer satisfaction is an attitude assessment given by customers after experiencing the experience of trying products or services provided by business actors to meet customer expectations. Based on the two definitions mentioned above, it can be concluded that customer satisfaction is an attitude regarding the feelings received by customers based on good or bad experiences obtained from a product or service which later refers to the satisfaction felt by customers.

In this study, the researcher will examine four variables, with one being dependent. The variables include product quality, service quality, and promotion. The dependent variable in this context is customer satisfaction. These variables can act as driving factors that influence how satisfied customers are when purchasing products from the store.

### **1.2. BACKGROUND OF THE RESEARCH**

Retail is an example of a business that can be found everywhere. Retail can be defined as the sale of goods and services to final consumers for personal use, family or household needs, and also group needs. Retailing includes all the activities necessary to sell goods and services to the final consumer. There are many types of retail that we can find, such as household goods retail, staple food retail, and clothing

retail. As time goes by, many retailers have emerged on the face of the earth that have different selling concepts and objectives according to the needs of today's society.

PT Matahari Department Store Tbk (Matahari) stands as a prominent retail chain in Indonesia, offering a range of clothing, accessories, beauty products, and household items at budget-friendly prices. By collaborating with reputable suppliers both domestically and internationally, Matahari ensures the availability of high-quality fashion items that appeal to value-conscious consumers. Their contemporary and spacious stores create a vibrant and inspiring shopping environment, which encourages repeat visits and positions Matahari as the preferred department store for Indonesia's rapidly expanding middle class.

Clothing retail is currently becoming a new business for business people because so many consumers are asking to buy clothes. Especially female consumers and especially generation Z who like to mix and match today's clothes. Not wanting to be outdone by Gen Z, millennial women also follow today's clothing trends. For this reason, clothing retailers are widely found in Indonesia, from local to international brands.

### **1.3. PROBLEM STATEMENT**

Customer satisfaction plays a crucial role in business success. It is described as a comprehensive assessment of the total purchasing and consumption experience with a product or service over a period (Fornell, Johnson, Anderson, Cha & Bryant, 1996). In marketing, customer satisfaction is closely linked, reflecting how well companies meet customer expectations through their goods and services. Hence, obtaining actionable insights to enhance customer satisfaction is vital (Oliver, 1999).

Customer satisfaction is a constantly changing and relative concept. Embracing a "customer-centric" approach is the key to enhancing satisfaction and maintaining customer loyalty. Conversely, if competitors succeed in boosting their customer satisfaction, a company may risk losing its own customers. It is essential to consider customer expectations while striving to improve satisfaction. Factors such as service quality, product quality, and value for money directly and positively influence customer satisfaction. Moreover, achieving employee satisfaction is crucial for attaining customer satisfaction, as content employees can significantly enhance customer satisfaction levels. Satisfaction is a fluid and evolving target, influenced by various factors and potentially varying throughout the product usage or service experience cycle. Depending on the specific point in the cycle, satisfaction levels can

fluctuate significantly (Lovelock, C. & Wright, L., 2007, pp. 86-87).

In 2000, the growth of modern retail businesses began with the establishment of several Indonesian supermarkets, including those from various foreign retailers. Despite the rapid and significant rise of digital industries, local offline

stores continue to draw interest. The retail market still offers opportunities for both local and international companies. According to the 2017 Global Retail Development Index data reported by Katadata, Indonesia's retail sales reached a value of USD 350 billion. This figure is expected to surpass the retail sales of other countries in the Southeast Asia (ASEAN) region.

Based on worldwide data from Statista, Indonesia is in second place (after Singapore) in increasing e-commerce retail sales growth. This number is significant because Indonesia has a far higher population than Singapore, which shows just how much retail e-commerce is growing in Indonesia. ( (Firdaus, 2019). In 2000, the modern retail sector began to flourish in Indonesia with the establishment of various supermarkets by both local and international retailers. Despite the rapid and substantial growth of the digital industry, traditional offline stores remain appealing. The retail market continues to offer opportunities for both local and international companies. According to the 2017 Global Retail Development Index data reported by Katadata (2017b), Indonesia's retail sales value has reached US \$350 billion. This figure surpasses the retail sales values of other countries in the Southeast Asia (ASEAN) region. (SOELTON, 2021)

Monthly retail sales index in Indonesia from 2020 to 2023

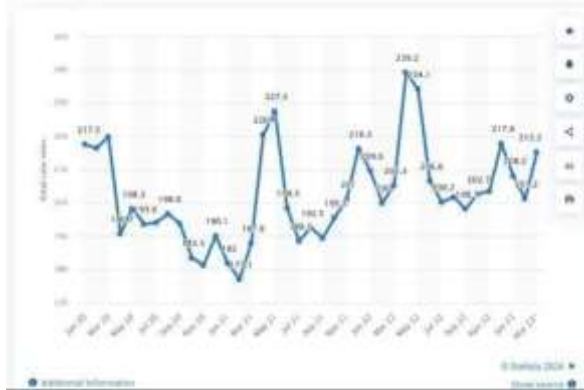


Figure 1.1 Statista, Monthly retail sales index in Indonesia from 2020 to 2023 Sources: Statista Website

#### **1.4. RESEARCH OBJECTIVES**

The general aim of this research is to analyze the relationship between independent variables, namely product quality, quality service, and promotion. The dependent variable is Customer Satisfaction.

The following are the specific objectives of this research:

RO1: To analyze the influence of product quality on consumer satisfaction in choosing a product.

RO2: To analyze the influence of Promotion on consumer satisfaction in choosing a product.

RO3: To analyze the influence of Service Quality on consumer satisfaction in choosing a product.

#### **1.5. RESEARCH QUESTIONS**

Research questions play a crucial role in guiding researchers to deliver precise answers during their investigations. They serve as a framework for the study, aiding in the formulation of hypotheses and steering all phases of the research process, including analysis and report writing.

These are the questions in this research:

RQ1: What is the relationship between product quality with customer satisfaction?

RQ2: What is the relationship between promotion with customer satisfaction?

RQ3: What is the relationship between service quality with customer satisfaction?

#### **1.6. DEFINITION OF KEY TERMS**

Most of this research focuses on consumer satisfaction analysis. The main focus of consumer satisfaction lies in the influence of any factors that can influence consumer satisfaction, from the quality of the products sold, the price of the goods offered, the perceived quality of service, and several promotions that may be given.

This is the key definition of this research term:

Table 1.1 Definition of Key Terms

Key	Definition
Product Quality	Product quality refers to the capability of a product to perform its intended functions and meet customer needs and desires. (Kotler & Keller, 2009)
Service Quality	Service quality refers to how customers perceive the overall performance of a company’s service over time. Despite the general understanding of what service quality involves, accurately assessing whether a service is of high quality poses a challenge. This is because service quality is based on perceptions, which can be highly subjective and vary from person to person. Parasuraman and Zeithaml highlight this issue, as does Berry (1990).
Promotion	Promotion involves activities designed to highlight the quality of a product and convince customers to make a purchase. (Kotler and Armstrong, 2014)
Customer Satisfaction	Customer satisfaction reflects how well a product’s actual performance aligns with a buyer’s expectations. This concept encompasses various indicators, including customer loyalty, overall satisfaction, intent to repurchase, a low tendency to complain, willingness to recommend the product, and the company's reputation. (Kotler and Keller, 2012)

**1.1.1. Product Quality**

According to Kotler and Keller (2009), product quality refers to a product's ability to perform its intended functions and meet customer needs and expectations. This concept of product quality encompasses two main aspects: consistency in development and alignment with product positioning. To achieve high-quality products, companies must select a quality level that ensures the product functions effectively and meets high standards. Consistent product quality, free from defects, can significantly influence customer satisfaction. Typically, product quality is managed through quality management practices. Quality management involves a range of activities and responsibilities aimed at establishing and executing quality

policies and objectives using various management tools. These functions are essential for achieving and maintaining high standards of excellence. This includes creating quality policies, planning, development, assurance, control, and ongoing enhancement.

### **1.1.2. Service Quality**

Service quality is essentially how customers perceive the overall performance of a company's services over time. While the concept of service quality is straightforward, accurately assessing whether a service meets high standards can be challenging due to the subjective nature of individual perceptions. Companies strive to deliver service quality that aligns with customer expectations to maintain market presence and build trust. Several gaps impact service quality, including: the difference between what customers expect and what management perceives, the divergence between management's perceptions and the actual specifications for service quality, the gap between the set service quality specifications and the actual delivery, the discrepancy between the delivered service and external communications, and finally, the difference between the expected service and what is actually perceived. These gaps have been supported by research from Parasuraman, Zeithaml, and Berry (1990).

### **1.1.3. Promotion**

According to Kotler and Armstrong (2014), promotion involves activities that highlight the quality of a product and persuade customers to make a purchase. Through promotional efforts, producers can effectively communicate various details to consumers, helping them become familiar with the product and make informed choices. Promotions serve to persuade, remind, inform, and motivate consumers to purchase the offered products. Various promotional tools are employed to boost sales volume as part of these promotional activities.

### **1.1.4. Customer Satisfaction**

Customer satisfaction reflects how well a product's performance aligns with a buyer's expectations. It encompasses several key indicators, including customer loyalty, overall satisfaction, the intention to repurchase, a low tendency to complain, the willingness to recommend the product, and the company's reputation. Essentially, customer satisfaction is determined by evaluating how the actual

performance of goods or services meets the customer's expectations. When customers are satisfied, it indicates that the performance of the product or service matches their expectations, which encourages them to make repeat purchases. Conversely, dissatisfied customers may deter others from buying and could switch to competing brands. (Kotler and Keller, 2012)

### **1.7. SIGNIFICANCE OF RESEARCH**

Current research focuses on understanding how various factors impact consumer satisfaction, particularly analyzing product quality and the effects of promotions on customer satisfaction. These elements are crucial for determining why consumers might prefer one product over another. Factors like lower pricing directly influence consumer satisfaction. This research aims to explore both internal and external variables that affect consumer purchasing decisions, specifically in the context of Matahari Department Store in Jember, Indonesia. The goal is to gain deeper insights into the reasons behind consumer preferences for specific products and to use this knowledge to refine long-term marketing strategies.

### **1.8. SCOPE OF THE RESEARCH**

The scope of research in this study is visitors to the Matahari Department Store Jember Retail. This is where the age scale for retail visitors to Matahari Department Store Jember is 19 years and above. The sample size determination table is 414 respondents and a quantitative method will be used. The scope of Matahari Department Store Jember Professional Retail is the object of research for



visitors, students, workers, and others. Objective This research aims to attract respondents from visitors to Retail Matahari Department Store Jember to analyze consumer satisfaction and why they decided to choose Retail Matahari Department Store Jember as their clothing retailer.

### **1.9. CHAPTER SUMMARY**

Customer satisfaction among customers at Matahari Department Store is one of the reasons for this research purpose. Online customer satisfaction will be measured as the variable in this study. Many factors influence customer satisfaction among customers of Matahari Department Store such as perceived quality products, quality service, and promotion. Therefore, this study aims to indicate overall about these factors that can influence Customer satisfaction in the Matahari department stores. Meanwhile, when the problem statement has been known, this study will be easier for this research and future research as well.