

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Service quality is one of the service company strategies (Kotler 91) which creates a long term beneficial relationship between customers and the companies (Tjiptono 115). When a company is able to deliver good service quality to its customer, customer satisfaction will be established (Gerson qtd. in Arief 169). If customers feel satisfied, they will be loyal both to their selection and the company.

Beside that, Kotler says that eventhough a company already has loyal customers, it still needs to satisfy its loyal customers to prevent them from switching to the competitors. If they switch to the competitors, it will be hard for the company to attract new customers, especially in terms of costs (49). Lele, qtd. in Arief says customer loyalty will make the company win the competition so in the long term the company can increase its benefit (213). Thus, it can be concluded that service companies need to give attention to the service quality in order to create customers' satisfaction. Customers'

satisfaction will create a beneficial long term effect to the companies, which is customer loyalty.

Since service quality and customers' satisfaction are important, it is advisable for a company to measure customer satisfaction regularly (Kotler 48). One of the ways to measure customer satisfaction is by using service quality dimensions or SERVQUAL (Parasuraman, et al. qtd. in Tjiptono and Chandra 145). A SERVQUAL dimension is an evaluation of a measure differentiation between the value given by customer for each statement in relation with expectation and performance. This operation is formulated in:
$$\text{SERVQUAL score} = \text{performance score} - \text{expectation score}$$
 (Zeithaml, et al., qtd. in Tjiptono, Chandra 157).

Based on the criteria, Parasuraman, et al. determine the percentage of satisfied customers to the services given by the service company. If the service performance is below the customers' expectation they will feel upset or dissatisfied. In contrast, if the service performance meets or is higher than the customers' expectation, they will be satisfied (qtd. in Tjiptono, Chandra 157).

Moreover, Parasuraman, et al. say that there are five dimensions which can be used by customers to evaluate service quality: reliability, responsiveness, assurance, empathy and tangibility (qtd. in Kotler 440). Parasuraman, et al. explain that reliability is used to evaluate the performance and dependability of a company; responsiveness is used to evaluate employees readiness to offer the service needed by customers; assurance is used to evaluate employees knowledge,

good manners, and their ability to create customers' trust; empathy is used to evaluate company's attention to understand customers' problems; and tangibility is used to evaluate the physical appearance of the company (qtd. in Tjiptonono 134).

In this research the object is a salon because nowadays, a competition in salon business in Bandung is getting tighter. New salons are established both for middle up class and lower class people. There are new salons opened, because salon is a business with a good prospect (Idris et al. 1). The observation takes place in *House of LIN* which is located at Jl. Jenderal Sudirman No 818 Bandung. I choose *House of LIN* as an object to observe because according to the owner, Tan Hay Lin, the number of customers who visit *House of LIN* increases from 1984 to 2008 (see Appendix 1). Beside that, their old customers are loyal to use the service given by *House of LIN* although many new salons are appearing. Therefore, it can be concluded that service quality, which is a strategy to satisfy customers, has already been applied by *House of LIN* to maintain its loyal customers. Based on those facts, I am interested to observe the service quality performed by *House of LIN* to make their customers feel satisfied and stay loyal to use the service given by *House of LIN*.

Based on the explanation the importance of service quality and customer satisfaction, I am interested in doing a research in a salon. The title for the research is: "The analysis of customer satisfaction in *House of LIN* Bandung with importance-performance analysis".

1.2 Identification of the Case

Based on the background, there are three cases that I am going to analyze:

1. What is the percentage of satisfied customers?
2. What is the rate of various elements of *House of LIN* service quality by customers through importance-performance analysis?
3. What are the actions that *House of LIN* should take after they find out the rate of the various elements of service quality (concentrate here, keep up the good work, possible over kill, low priority)?

1.3 Objectives of the Study

The objectives of this research are:

1. To know the percentage of satisfied customers.
2. To analyze the rate from each element of *House of LIN* service quality through importance-performance analysis.
3. To suggest the actions required by *House of LIN* after they find out the rate of the various elements of service quality (concentrate here, keep up the good work, possible over kill, low priority).

1.4 Limitation of the Study

I would like to focus my discussion on elements to measure service quality (tangibility, assurance, empathy, responsiveness, and reliability) that *House of LIN* does to make its customers feel satisfied

with the salons. I do some interviews and observations, also distribute questionnaires to collect data that support my research.

1.5 Layout of the Thesis

This thesis starts with the Abstract, a concise summary of the entire paper in Indonesian. This abstract is followed by the Preface, in which acknowledgements are given to those contributing and involving in the work. After that is the Table of Contents and the Appendices, followed by its four chapters: Chapter I, Introduction to the study consisting: Background of the Study, Identification of the Case, Objectives of the Study, Limitation of the Study, and Layout of the Thesis.

Chapter II, Theoretical Review, contains basic theories or concepts related to the Case Study. Chapter III, Findings and Discussion of the study, includes ways of collecting data, information or data gathered and discussion of important findings. Chapter IV, Conclusion, has a major statement that is made along with some suggestions or implication for further study. Following the Conclusion is Bibliography, where the references used for the study are presented alphabetically, and in the end Appendices are presented.