

Chapter 1

Introduction

1.1 Background

Transportation is becoming critical part of our daily life, with technology that keep developing the transportation vehicle also developing. This is because technology and transportation are related to each other. In ancient time when technology still under developed, transportation already exists but did not has great impact to daily life. Meanwhile, in late 1800's while the technology start to develop transportation becoming important things in daily life especially business field.

First motorcycle was called "safety bike" which using steam engine, steam engine evolve to gasoline engine that need more complicated engineering skill. The name "safety bike" also change when steam engine is abandoned and change to gasoline engine the name became motorcycle. When in 1900's many kind of foreign companies entering Indonesian market, one of those countries is Japan. Japan created many motorcycle brands such as Honda, Yamaha, Kawasaki, and Suzuki. Honda is the one who dominated motorcycle market in Indonesia.

Honda is the favorite branding which very popular among all ages. Honda has 64% market share in motorcycle which sold 5.051.100 unit in 2014 from total 7.867.195 unit sold in 2014. Honda produce many kind of motorcycle like Scooter (Vario, PCX, Beat, and Scoopy), Cub (Revo, Supra, and Blade), and Sport (CBR, MegaPro, and Verza).

Total Sales in 2014

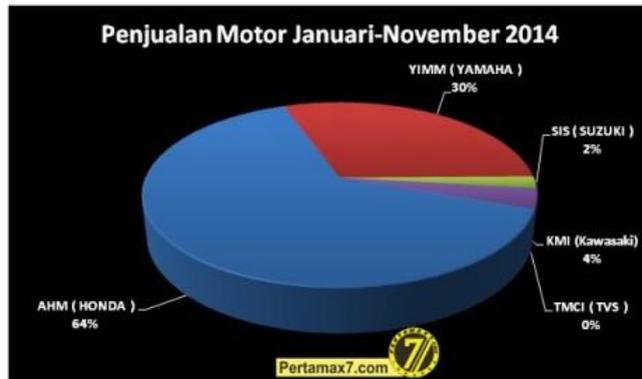


Figure 1.1

Nowadays there are many different kind of businesses, it's hard to keep the business because so many competitor with similar kind of business. As for company, to measure how their service satisfy the people that use the services, whether they want to use the service again / became loyal costumer or they don't want to use the services but in this modern era almost every company using service as their strategy to attract customer, since in product a company can find many competitor with similar product but if a company specialize in their service not only the product, it will grow a satisfaction in customer mind and it people satisfaction with something they will use the same product over and over again and created the loyalty toward the company product.

Honda is the one of the largest motorcycle market share in Indonesia not only selling the product but also their service to the customer to keep the customer loyal to Honda, Honda has service center and dealer in many city

around Indonesia to make people easier to get information and buy the Honda product, while choosing transportation vehicle people considering many things like available product, spare part, and service center. One of the most important variables when choosing is the service towards the customer, because customer first impression about the company that decide their purchasing decision. Service definition is action of helping or doing work for someone, in business world service used by company how they serve the customer and get information of the product easier and feel comfortable inside the store. And quality definition is the standard of something as measured against other thing that similar kind or general excellence of standard or level. So the definition of service quality hold that this is the result of the comparison that customer make between their expectation about a service and their perception of the way the service has performed. The customer perceived quality is the result of the evaluation they make of what expected and what was experienced, taking into account the influence of the organization image.

When customer expectation meet with actual his/her experience it created the satisfaction among the customer. Parasuraman et al(1988) and Naeem and Saif (2009) found that customer satisfaction is the outcome of service quality. The academic literature postulates that customer satisfaction is a function of the discrepancy between a consumer's prior expectations and his or her perception regarding the purchase (Churchill & Surprenant, 1982; Oliver, 1977; Tse & Wilton, 1988; Yi, 1990).' When an experience is better than the customer expected, there is thought to be positive disconfirmation of the expectation, and a favorable customer evaluation is predicted. Faced with intense competition in the market place, it cannot be

assumed that there is an unlimited customer base prepared to maintain patronage. Although there is no established theoretical framework covering all aspects of customer loyalty, there is a consensus among practitioners and academics that customer satisfaction and service quality are prerequisites of loyalty (Gremler and Brown, 1997). Customer loyalty is a condition when customer consistently purchase a certain product over an extended period of time. Customer loyalty is the main purpose of a company to keep their position in the market. Loyalty is developed by approaches which reinforce and develop a positive state of mind and the associated behaviours. Managing loyalty is important because it means not only managing behaviour but also managing a state of mind.

Delivering quality service is considered an essential strategy for success and survival in today's competitive environment (Dawkin and Reicheld 1990; Parasuraman, Zeithaml, and Berry 1985; Reicheld and Sasser 1990; Zeithaml, Parasuraman, and Berry 1990). As reported in the relevant literature high quality service helps to generate customer satisfaction, customer loyalty, and growth of market share by soliciting new customers, and improved productivity and financial performance (Lewis, 1993; Andereson, Fornell, & Lehmann, 1994). Hackl, Scharitzer, and Zuba (2000) had substantiated the point by adding that customer satisfaction is a prerequisite of customer loyalty. Prabhakaran (2003) mentioned that the customer is the king. High customer satisfaction is important in maintaining a loyal customer base. To link the service quality, customer satisfaction and customer loyalty is important. Kumar (2009) stated that high quality of service will result in high customer satisfaction and increases customer loyalty. Heskett (1997) argued that profit and

growth are stimulated primarily by customer loyalty and loyalty is a direct result of customer satisfaction. Parasuraman (1988) and Naeem and Saif (2009) found that customer satisfaction is the outcome of service quality. Prabhakaran (2003) mentioned that the customer is the king. High customer satisfaction is important in maintaining a loyal customer base. To link the service quality, customer satisfaction and customer loyalty is important. Kumar et al(2009) stated that high quality of service will result in high customer satisfaction and increases customer loyalty.

Using Service Quality to measure how people satisfy with the company service and how it created the loyalty of the customer is the purpose of the study, by Astra Honda Authorized Service Station customer became the respondent to prove that service quality can created customer satisfaction and customer loyalty towards the Honda motor brands.

1.2 Problem Statement

According to background the problems can be formulated as follows:

1. Does service quality have positive impact toward Customer Satisfaction of PT. AHM through AHASS customer in Surabaya?
2. Does service quality have positive impact toward Customer Loyalty of PT. AHM through AHASS customer in Surabaya?
3. Does service quality and customer satisfaction have positive impact toward customer loyalty of PT. AHM through AHASS customer in Surabaya?

1.3 Objectives of the Research

These answers of research question serves to fulfill the objectives of the study which to understand the effect of Service Quality toward Customer Satisfaction:

1. Identify the positive impact of service quality towards customer satisfaction of PT. AHM through AHASS in Surabaya.
2. Identify the positive impact service quality towards customer loyalty of PT. AHM through AHASS in Surabaya.
3. Identify the positive impact of customer satisfaction towards customer loyalty of PT. AHM through AHASS in Surabaya.

1.4 Scope of the Research

This research will explain to the readers what are the effects of service quality towards customer satisfaction and the impact to customer loyalty of AHASS at Surabaya. It will involve AHASS and the other variables such as service quality, customer satisfaction, and customer loyalty and shows that they are correlated to each other.

In this case, the effect of service quality towards customer satisfaction and the impact towards customer loyalty will be discussed in detail. Those variables here are the components which will affect the customer loyalty of AHASS. This study also will involve the people who use AHASS service.

1.5 Advantage of the Research

This study has significant impact both on:

1. Academic

The result of this research study can be used as one of the reference for those who do similar research study or continual study especially about the effect of service quality towards customer satisfaction affecting the customer loyalty.

2. Practice

The result of this research study can be used as the source of information of making decision to increase loyalty, especially for any management that is studying in depth about the effect of service quality towards customer satisfaction affecting customer loyalty.