CHAPTER 1

INTRODUCTION

1.1. Background

With the increasing market competition nowadays, organizations cannot solely depend on their internal improvement in order to maintain and develop their existence. People demand products and services with excellent qualities to satisfy them and gain their loyalty. Furthermore, how people are treated when they accepted the products/services plays important roles on their satisfaction.

Service quality has become an important issue today. Many companies, organizations, and industries compete in the basis of service. In fact, it is difficult to find industries for which service issues are considered unimportant. Even manufacturing companies that sold products find services matters to play paramount roles in marketing their products. Indeed, more and more executives in manufacturing firms are interested in service quality as executives in services industries are.

Due to the difficulties of establishing sustainable and technology-based competitive advantages, manufacturing executives will give more and more attention on services as their source of marketing. And as manufacturing industries are competing more on services, eventually there will be only less and slight distinction between products and services businesses.

Many leading companies, namely, McDonald's, American Airlines, Disney World, IBM, American Express, etc are obsessed with service excellence. Services are used to increase productivity, to earn the customer's loyalty, and to be different.

Service industries are different with manufacturing industries. There are three factors that distinguish service industries from manufacturing industries. They are:

1. Intangibility
2. Heterogeneity
3. Inseparability between production and consumption.

The study focuses on how is SERVQUAL, an instrument for measuring customer perceptions of quality, applied in our country and relative importance of the SERVQUAL dimensions when it is applied in Indonesia especially in Yogyakarta, how each dimension contributes to SERVQUAL.

1.2. Problem Statement

The problem statement of this study can be stated as "what are the relative importance of SERVQUAL's dimensions and verify the dimensionality of the items in SERVQUAL when it is applied in Indonesia, especially in Jogjakarta."

1.3. The Objectives

The objectives of the study can be written as follows:

1. Describe the dimensionality of SERVQUAL items and examined it's validity and reliability.
2. Determine the relative importance of each of SERVQUAL dimensions.

1.4. Scopes of Study

Scopes of the study can be written as follows:

1. Expectations and perceptions of customers are determined based on the dimensionality in SERVQUAL.
2. The study takes place in Yogyakarta. All respondents related to this study are located only in Yogyakarta.
3. Data involving the characteristics of respondents is obtained through questionnaire.
4. The respondents' answers in questionnaire represent the actual condition.

1.5. Methodology

The first step of study is a preparation step. On this step, preliminary study has to be carried out to define the problem and objective. However, the literature studies, such as from journals and related books, are also necessary to understand the theory related with the problem and method used to determine the problem.

1.5.1. Data Gathering Method

The data requirement will be collected base on the following data as follows:

1. Primary data

Primary data are obtained from:

a. Questionnaires

Data are collected by using a set of questions in form of papers spread to respondents.

b. Interviews

Data and information are collected by directly ask questions to the customers.

c. Observations

Done by observing directly to the locations to fulfill other necessary information.

2. Secondary data

Secondary data are obtained from the literature studies from journals, books, Internets, companies and other related sources.

1.5.2. Data Analysis Method

Primary data will be analyzed by using both qualitative and quantitative analysis. The analysis is aimed to recognize the respondents' perspectives of the quality of service given by the companies.

Analyses are conducted regarding with the dimensionality of SERVQUAL items, validity and reliability test, and relative importance of SERVQUAL dimensions. The analysis primarily uses the Factor Analysis method. Factor analysis verifies the dimensionality of items in SERVQUAL dimensions, therefore it can provide suitable and proper results concerning with the final number of SERVQUAL dimensions when it is applied in Indonesia.

1.6. Report Outline

      The process of writing systematization of this report is described as follows:

Chapter 1 : INTRODUCTION

      This chapter consists of problem background, problem statement, objectives, scope of the study, methodology, and process of writing systematization.

Chapter 2 : STATE OF THE ART

      This chapter consists of the earlier studies and the differences with the present study.

Chapter 3 : THEORY

      This chapter consists of the theory from the literature.

Chapter 4 : DATA

      This chapter consists of the data obtained from the questionnaires spread to the customers from various service sectors, interviews, and observations.

Chapter 5 : DATA ANALYSIS AND DISCUSSION

      This chapter consists of data tabulation for the interview and questionnaire data, and also the discussion for data analysis.

Chapter 6 : CONCLUSION AND RECOMMENDATION

      This chapter consists of the conclusions from the discussion and recommendations.