

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background Of The Study**

In today's unpredictable and competitive business environment, the use of digital platform to create stronger customer loyalty has become a must. It is used more operationally as a method of maintaining good contact and supplying consumers with cost-effective goods or services. (Sin S; et. al, in Arifur & Aminul, 2017). This definition is increasingly evolving and being revised on a national and global scale in order to achieve the latest marketing functional aspect of selling products and services that has an unfathomable impact on the expansion of consumer interaction. In the early days, marketers carefully considered value-based compensation to give less emphasis on building consumer loyalty. This phenomena has created a loyalty gap.

Today, one of the key elements to success is customer satisfaction. With the market becoming increasingly complex and competitive, a growing number of businesses are paying attention to developing, controlling, deciding, and raising customer loyalty. The companies therefore need to be well organized for the operational and service quality of their employees.

With the advancement of technological era, essential humans' need consist of growing demand in clothing, food and boards. Related with that, people no longer just think about their food, clothing and housing need to satisfy

them. Yet people have to start thinking about other needs than that, such as the need for fashion, attractiveness, and other lifestyle.

Business competition around the world is making it impossible for the company to increase its customers. In the marketplace, there are too many goods that are sold by rivals with different advantages, making it impossible for business to grab customers. Marketers and companies in general want to be able to retain the clients for the longer run. It is not a simple matter, considering changes occur at any moment, be it shifting of the market, taste of services, quality dimensions, customers loyalty, progressively evolving patterns that impact psychological, financial, and market culture.

Customer loyalty is associated with either the product's brand or satisfaction with a service, including the possibility of renewing contracts in the future. Customers have a change support, how much possibility of customers changing support, what are the possibilities the customer's desire to improve the positive image of a product or services.

The concept of marketing was previously oriented on product quality and marketing strategy, it has now focused on the customer loyalty as well. Because customer loyalty can result in long-term profits for company, this case study includes at the sector of fashion industry.

In this regard, the customer engagement model consists of seven stages namely: relation, interaction, satisfaction, retention, loyalty, advocacy and dedication. In addition, the customer experience model was built through contact with sellers based on the degree of reciprocal communication and

emotional connection. Social media affects many political, social, commercial and cultural aspects of life, so do peoples' behavior and attitudes (Alalwan et al., 2016).

Companies rely on e-marketing tools – such as social media – to cultivate a sense of customer loyalty to increase income, gain competitive advantage, and spread brand knowledge. Social networking is an important tool, an integral part of strategic business strategy in retail, trade and manufacturing. Aside of being involve with consumer behavior and relation, Social media is an effective tool and has become an integrated part of strategic formation in trade, service, and manufacturing businesses. In addition to being involved in customer relationship and communication (Filo et al., 2015). In this regards, to boost the performance of companies and to encourage brand recognition, different businesses have used a variety of digital platforms and to build consumer preferences and expectation (Leeflang et al., 2014).

PT. Hindo Indonesia is a company that operates in sales outlets, clothings, and shoes with Swedish brand H&M. This company was founded in 2010 and based in Jakarta, Indonesia. As a developing fashion company, PT. Hindo is expanding in major cities in Indonesia, one of which is the city of Medan in 2015. H&M provides personal services where performance focuses on product and services to customers. There is increasingly tight competition between fashion industries that requires them to compete in giving the best service in order to win the customers. H&M was established in 1947 and having established their first store in 2013 in Indonesia. H&M first store in Medan is located in Jl. Jawa, No.8 Medan. H&M Medan proves that they are able to

compete with existing famous fashion stores. In that case the reference is for maintaining the store fashion business competition, namely its customers loyalty or loyal to H&M Medan. In that case, it has become the focus of H&M Medan for maintaining competitive brand fashion business by targeting customer loyalty.

Customer loyalty comes from the quality of services provided thus it gives a good memory and customer satisfaction. Many customers assume service quality from the service performance, assuming that quality of products and services will be lost when there is no good employee performance with good service quality from the company.

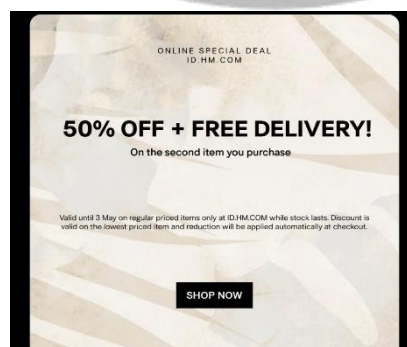
The fashion industry can continue to grow and there are many variables that guarantee the growth rate of the number of customers, because on average women are willing to spend a lot of money to visit a fashion store. As experienced by H&M Medan, the number of customers continues to increase every year since its establishment in 2015.

H&M Medan uses social media such as Instagram, Facebook, Website, Twitter, Apps and many more. The usage of social media these days can bring such benefit to mostly every type of business and company, since most of social media platform are free to join in and can be managed with a low budget. However, not every companies are suitable for social media marketing, such as large multinational companies or smaller firms. Companies typically struggle if they don't take the platform seriously in their social networking and web strategies; social media is not for everybody, and social media should not be

used exclusively for technology. If social media is suited to marketing it should also be customized to the company's internal processes. It is both effective when used in external and internal communication, and by this the customer can be seen as "a participant" rather than "a user". When people see that they are more than just customers they become loyal to company because they feel they receive more of themselves.

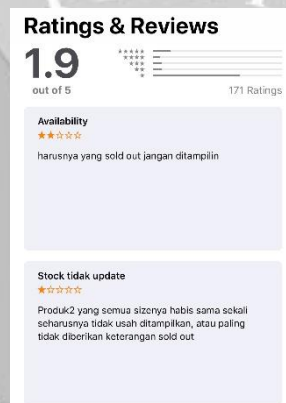
To achieve maximum customers' satisfaction and for it to continue to increase, H&M Medan must maximize service quality through social media marketing. Social media marketing will create an impression on the customer's mind, so that a positive image for H&M Medan. With good campaign in social media marketing will satisfied with the services provided by H&M Medan.

H&M has a variety of media that support the sales process to consumers in the context of business competition and profit. These media are Instagram, Facebook, twitter, Applications, website and customer service that are always ready to serve consumers/customers. H&M has been promoting a lot of their product and special promo for their online customer such as Stock Sales and Free Delivery for the customer who are buying online.



Source: H&M Indonesia Twitter Account 2020

However H&M has bad reviews on its online purchase platform such as its apps rating and customer complaint on social media, customer pointed terrible function of the apps and website service and product are frequently out of stock yet still appear like they are in stock. The purpose of making a promotion such as stock sales and free delivery is to attract more online customer. As what have been mentioned before that, customer can't even have an easy access to their promotion and sales on apps and website that makes the customer can't enjoy the benefit that are offered online.



Source: H&M Indonesia Apps Rating and Review 2020

The purposes of this research is to analyze the importance of social media marketing influence on the customer loyalty. This *skripsi* aim is to introduce theoretical approaches both customer loyalty and social media marketing to the researcher and managers, so that they will have better perception about this concepts.

Based on these descriptions and reasons, the authors intend to conduct research with the title "**The Influence of Using Social Media Marketing Towards Customer Loyalty at H&M, Medan**"

## 1.2 Problem Limitation

This research will be conducted in H&M Medan, which is one of fast fashion brands with the largest audience on social media. The purpose of this study is to analyze the influence of social media marketing towards H&M Medan's customer loyalty, that will be limited to certain variables that considered relevant.

The indicators of social media marketing (X) are content creation, content sharing, connecting, and community building, according to Gunelia based on research by Mileva (2018). The indicators of customer loyalty (Y) in this study are adopted from Deng, *et al.* in Nastiti and Astuti (2019), which are using continuously, recommending to others, and choosing to use products over other brands. This study will be conducted to know the influence of using social media marketing (X) towards customer loyalty (Y) of H&M Medan.

## 1.3 Problem Formulation

Based on the background and identification of the problem above, it is shown that even though some customers are satisfied with the service through social media of H&M, there are some other customers that have bad experience on using H&M online shopping platform. Based on this phenomenon, the formulation of the problem is as follows:

1. How deep does H&M Medan use social media marketing?
2. How is the customer loyalty of H&M Medan?
3. How does social media marketing influence customer loyalty of H&M Medan?

## **1.4 Objective of Research**

Based on the problem formulation above, the objective of research is as follows:

1. To know how deep the H&M Medan uses social media marketing.
2. To know how the customer loyalty at H&M Medan is.
3. To know the influence of social media marketing to customer loyalty at H&M Medan.

## **1.5 Benefit of Research**

### **1.5.1. Theoretical Benefit**

To get an overview and know about the influence of social media marketing on the customer loyalty and compare with the theory obtained during the lecture.

### **1.5.2. Practical Benefit**

This research is expected to be a reference consideration for management to manage company resources in a more optimal, making easy in order to further improve marketing about their company and a behavioral intention which is customer loyalty in the product fashion industr