

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

In today's dynamic and competitive environment, every business depends on the acceptance of the customers. Customers have numerous choices to make the final decision and they are heavily influencing the companies in regard to the product price, quality and sizes. Among the different marketing communication tools, companies are giving attention to the sales promotion to attract the customers. There are several survey highlighted the fact that there exist a positive relationship between the sales promotion and consumer loyalty. It also adds that the non-loyal customers exhibit more switching behavior than loyal customers.

Sales promotion has become a vital tool for marketing and its importance has been increasing significantly over the years. One of the purposes of a sales promotion is to elicit a direct impact on customer loyalty. Every business develops the sales estimate and develops the strategies to achieve it. This is the critical link between the sales promotion and customer loyalty. The sales battle has created the need of continuously tapping the older customers and creating attraction for the perspective customers. The national and multinational companies are spending much amount of money to give a boost to the sales in the short time. Numerous research studies have been conducted on one of very important marketing promotion tool which is sales promotion.

According to (Saeed et al., 2013, p.902):

Sales promotion is used to persuade the new customers to make the decision of the purchase of the particular brand/ product, lowers the switching barrier/ price of the brand/ product for the brand switchers to attract them, encourages the

competitors loyal to change the buying decision and provide the incentives/ extra value to own loyal customers.

The sales promotion needs to be assessed against the objectives set. The good sales promotion activities; for example competitive actions or seasonal variations may influence customer loyalty. Lack of promotion and does not focus on sales promotion will make customers become less interest in buying and not loyal to the products of the company.

PT. Arvin Inti Jaya Medan is a printing and lithographing company which provides services such as Inks Printing & Lithographing. It is located at Jl. Dr. Sutomo No. 54-56 Medan 20231 and has been running for 25 years. This is a family business and it is shared among 3 siblings. Their family has 5 siblings but the company was owned and operated by 3 siblings which is: Abidin Joman, Rosina Joman, and Arifin Joman. Abidin Joman is the 3<sup>rd</sup> siblings and he manages the outside socialization. Rosina Joman is the only woman in this siblings and she works as cashier. Arifin Joman is the youngest one and he manages the production and employees.

The writer do observation in PT. Arvin Inti Jaya Medan and it is having problems which the customers are not loyal to the company which can be seen from the decreasing numbers of customers as they are not really interest to order again with the company. The writer has asked the director of PT. Arvin Inti Jaya Medan and he agreed that the customers are not loyal, they tend to consider many factors to deal with the company.

The preliminary data given by the company about the numbers of customers (stores) that always purchase the produtcs shown in the table 1.1 belows:

**Table 1.1 Numbers of customers 2014-2017 (Stores)**

Year	Total customers	Customer Percentage
2014	104	0
2015	121	+16.35%
2016	94	-22.31%
2017	80	-14.89%

Source: PT. Arvin Inti Jaya Medan (2018)

From the table above, the numbers of customers in 2016 is decrease until the year of 2017. The numbers of customers keep on decreasing in 2016 due to different in their order interest and considerations to the company for instance the lack of promotion done by the company as the company does not focus on sales promotion which the customers do not get special offers to them. The customers become less interest in buying and not loyal to the products of the company.

The customers commented on the sales promotion implemented by the company. The company has not offered attractive sales promotion to attract and pull the consumers to do business with the company, such as lack of new updated products and special prices to them if they were to buy the products with the company.

Realize the importance of sales promotion on customer loyalty on the sales of the company, the writer is interested to do her *skripsi* entitled **“The Impact of Sales Promotion on Customer Loyalty at PT. Arvin Inti Jaya Medan”**.

## 1.2 PROBLEM LIMITATION

By considering the limitation of time, knowledge, and ability that the writer has, this *skripsi* will focus on the sales promotion that may impact the customer loyalty; the writer will use the consumer sales promotion methods by (Saeeds et al., 2013, p.902) which are free gifts, coupons, and discount. According to Omotayo (2011, p.69),

the customer loyalty indicators which are re-buy intentions, frequency of transactions, and satisfaction.

### **1.3 PROBLEM FORMULATION**

From the background of study stated above, the writer has determined the problem identification as below:

1. Does sales promotion have relationship on customer loyalty at PT. Arvin Inti Jaya Medan?
2. How strong is the impact of sales promotion on customer loyalty at PT. Arvin Inti Jaya Medan?

### **1.4 OBJECTIVE OF THE RESEARCH**

By doing the research, the writer can gather information and find the solution towards its problem. The objectives of study carried out are as follows:

1. To analyze whether sales promotion have relationship on customer loyalty at PT. Arvin Inti Jaya Medan.
2. To determine how strong the impact of sales promotion on customer loyalty at PT. Arvin Inti Jaya Medan.

### **1.5 BENEFIT OF THE RESEARCH**

#### **1.5.1 THEORETICAL BENEFIT**

For Writer: Provide inputs and explanations of the impact of sales promotion on customer loyalty between theories and reality.

For Reader: Provide support to the academic researchers to understand about the impact of sales promotion on customer loyalty as further reference.

#### **1.5.2 PRACTICAL BENEFIT**

For Company: Provide information and understanding about the impact of sales promotion on customer loyalty in the company and improving the business sales performance.

## **1.6 SYSTEMS OF WRITING**

The get the picture of the project as a whole, the system of writing is divided into 5 chapters as below:

### **Chapter I: Introduction**

This chapter will explain about background of the study, problem limitation, problem formulation, objective of the research, benefit of the research, and the system of writing

### **Chapter II: Literature Review and Hypothesis Development**

This chapter explains about the brief definitions of marketing, marketing mix, promotion mix, sales promotion, sales promotion indicators, definitions of customer loyalty, customer loyalty indicators, and the relationship between sales promotion and customer loyalty. It also contains previous research, hypothesis development, research model, and the framework of thinking.

### **Chapter III: Research Methodology**

This chapter identifies the research design, population and sample, data collection method, operational variable definition and variable measurement, and data analysis methods.

### **Chapter IV: Data Analysis and Discussion**

This chapter elaborates the brief history of the company organization structure of the company, data analysis which is specified into descriptive statistics, results of data quality testing, and result of hypothesis testing. Lastly, this chapter will conclude discussion.

### **Chapter V: Conclusion**

This chapter draws conclusion, implication and recommendations for this research paper.