

CHAPTER I

INTRODUCTION

1.1 Background of The Study

In the current era of globalization, competition in the domestic markets is very high. This is because many business competitors engage in similar products or services. Besides globalization is a reality that has real consequences for how people all over the world believe that countries and local culture will be lost in the homogeneous culture and global economy. So, demanding the public to follow every slightest change have occurred. No exception to changes in one's lifestyle consuming fruit nowadays. The activity of eating was originally done to meet the needs of daily intake, but increasingly in modern time, fruit consuming activities are also accompanied by satisfaction or orientation pleasure in consumption itself.

Business in the field of food especially fruit is a promising business, because fruit is one of the basic needs for the community. Customer loyalty plays a very important role in the business organization or business undertaken. Customer loyalty is described as an unwavering commitment to repurchase or promote a desired product or service in the future (Marakanon and Panjakajornsak, 2017). The customer attitude component is an idea such as the intention to return to buy additional products or services from the same company, the willingness to recommend the company to others, a demonstration of commitment to the company by showing resistance if there is a desire to turn to another competitor and willingness to pay premium prices. On the other hand, aspects of customer loyalty

is described as an attachment to a brand on an emotional or behavioral level, which include more purchases of the same product or service or alternatives from the same company, recommending the company to others and possible use of the product in the long run, and the quality of the brand is still maintained (Xhema et. al., 2018)

PT Agrosari Sentraprima is a company engaged in the management of tropical fruits located in Deli Serdang - North Sumatra - Indonesia (15 Km from Medan City Center), The company, which was founded in 1980 by Mr. Sanjaya Lawer BSc, initially only produced bottled drinks such as soybean juice, flower tea, etc. In 1984, PT Agrosari Sentraprima Company began to expand by producing canned fruits such as rambutan, pineapple, and cocktail. In addition, they also produced pineapple and papaya juice in the form of concentrated. Mangosteen, fruit cocktail specifically for overseas markets, and juice is usually concentrated, then exported to Vietnam or China using ships. These products have been exported to various countries such as: Germany, Italy, Sweden, Argentina, Taiwan, Singapore, China, Vietnam, etc. With more than 30 years of experience, PT Agrosari Sentraprima, Medan continues to actively conduct research and try to improve the quality and production capacity as much as possible and hope that one day the products can be accepted in all circles and the world.

PT Agrosari Sentraprima is a family company. Sanjaya Lawer has 3 sons. The business is now handed down to his first son, Hengky Lawer as the director, second son, Tawdy Lawer and the last one named Richard Lawer. Erfy Lawer as the biological sister of Sanjaya Lawer becomes manager in this company. It aims to

make the company to be monitored, driven and run easily so that the company can be developed better as a family company.

This research is conducted to determine the effect of product consistency on consumer loyalty. Customer satisfaction is critical for contemporary companies for two primary reasons. To begin, consumers are finite commodities that are far easier to acquire than new ones. Second, consumer satisfaction benefits PT Agrosari Sentraprima's sustainability and sales.

According to Thompkins (2017), the term "customer loyalty" can be described in two ways. To begin, loyalty is an attitude. Diverse emotions contribute to an individual's overall loyalty to a good, service, or association. Specific commitment is determined by this emotion (pure cognitive level), Loyalty may also be described in terms of actions. Repurchase intentions, word of mouth contact, and corporate suggestions all serve as indicators of customer loyalty behavior. That consumers will stay loyal by fostering positive relationships between them and the business.

PT Agrosari Sentraprima is experiencing problems related to the level of customer loyalty. Based on interviews conducted and the author obtained a documentation study that there is a decrease in customer loyalty at PT Agrosari Sentraprima. This decrease in customer loyalty causes the number of customers to decrease. The following data is the number of customers at PT Agrosari Sentraprima:

Table 1.1
Number of Complaints at PT Agrosari Sentraprima (2015 – 2020)

Years	Amount of Complaints	The case of complaints
2015	21	Packaging that is often not good
2016	25	No expired date listed
2017	28	Reduced juice composition
2018	25	Different taste than before
2019	27	Product expired too fast
2020	36	

Source: Prepared by the writer (PT Agrosari Sentraprima, 2021)

From the data received from the company, it can be seen that the number of complaints received by the company still shows an increase from 2015 to 2020.

Based on graphic data, it can be described as follows.

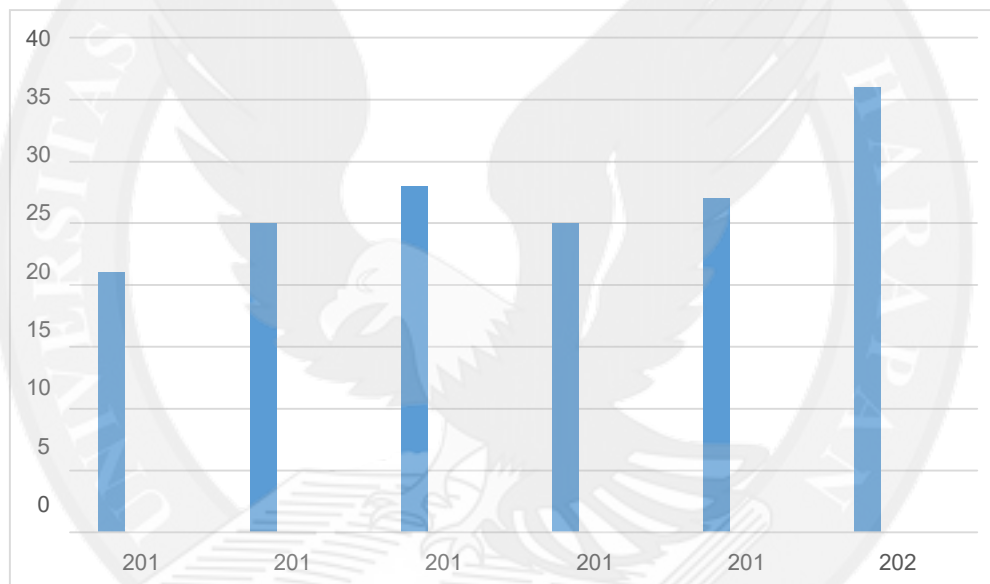


Figure 1.1 Graph Number of Complaints at PT Agrosari Sentraprima

Source: Prepared by the writer (PT Agrosari Sentraprima, 2021)

From the graph data on the number of customers' complaints, it can be seen that in 2015 there were 21 complaints, 2016 a total of 25 complaints, 2017 a total of 28 complaints, 2018 a total of 25 complaints, 2019 a total of 27 complaints. The number of complaints that occurred tend to show an increase from 2015 to 2017. The number of complaints that occurred in 2020 with total 36 complaints.

Based on this data,

the product quality of PT Agrosari Sentraprima Juice products has decreased. This is related to the packaging, which is often not good; the difference in the taste of the juice that is caused by the approaching expiration date; there is no expiration date listed on the packaging; the different composition of the juice which results in bad taste. These trigger the level of customer disappointment so that it has an impact on low customer loyalty.

Based on this review, the writer decides to conduct a research entitled **“The Effect of Product Quality on Customer Loyalty at PT Agrosari Sentraprima, Medan”**

1.2 Problem Limitation

To avoid the biased explanation on this research, the writer limits the research to focus on the packaging of the products. The limitations noted by the writer are the product quality as an independent variable with indicators according to Sunyoto (2016), namely design quality, performance quality and conformance quality; and consumer loyalty as the dependent variable with indicators according to Griffin in Fahrurrazi et al (2019), namely make purchase regularly, buy outside of your product or service line, recommend products, and demonstrates immunity.

1.3 Problem Formulation

The following are the research problems formulated in this research:

- a. How is the quality of products at PT Agrosari Sentraprima, Medan?
- b. How loyal are customers to PT Agrosari Sentraprima, Medan?

- c. Does product quality have effect on customer loyalty at PT Agrosari Sentraprima, Medan?

1.4 Objectives of the Research

Based on the formulated research problems, the objectives of this research are as follow:

- a. To assess the product quality at PT Agrosari Sentraprima, Medan.
- b. To describe how loyal customers are to PT Agrosari Sentraprima, Medan.
- c. To investigate whether product quality affects customer loyalty at PT Agrosari Sentraprima, Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The following are the theoretical implications of this research:

- a. By conducting research, it can maximize the writer's expertise and skill in conducting research.
- b. All students at Universitas Pelita Harapan, Medan, are required to read this content.
- c. To contribute in improving existing theories, especially on product quality and customer loyalty.

1.5.2 Practical Benefit

The practical benefits on this research are as follow:

- a. This research allows the writer to get more experience, while being able to compare the relevant theories with the findings from real-life settings.
- b. For the company, the findings are expected to provide useful suggestions for the company in increasing customer loyalty especially through product quality.
- c. For other researchers, this research can be used as references for further study in relevant areas.

