

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nowadays, there are lot of people and increasing in Indonesia which effect the increase in demand and makes the productivity of company increase in large quantity. This makes distributor become most important in this time and become vital for producer to its product reach customer. As for distributor itself they must make sure they product to keep in stock and can fulfill the demand on people this is the aspect that distributor must keep watch. Distributor also can become primary source of some producer as without the distributor producer will face a problem when selling their product and we must keep in mind distributor also have a bigger channel when it comes to customer relationship. As for benefit for customer is they is avoided to buy large quantity of goods as distributor will they one who stock goods and the consumers will only buy much as they needed. As we known plastic bag and tissue is the most common things that we see and use in daily life as from small shop like grocery shop until hotel and restaurant need plastic bag and sachet sugar for their selling or services they provided for their customer. Plastic bag and tissues both have become inseparable things in live.

The provision of high-quality goods to customers is a necessary supporting aspect in today's business world, together with the use of an effective marketing strategy to capture the target market. A competitive advantage can be gained through improving the quality of one's product. As a result, only companies with the finest product quality will develop quickly, and in the long run these

companies will be more successful than other companies. Given the increasingly strong product business competition that exists today, companies should consider the quality of the items that they intend to sell. Because of this, the company was obliged to improve product quality to match customer needs, which in turn leads to increased customer happiness, which in turn leads to increased customer loyalty.

For product quality it is very important for a product to be good to make customers happy. With good product quality, the wants and needs of people who buy a product will be met. To be satisfied with something, it must have a quality that is better than what was expected. In addition to the quality of the product, promotion also plays a role in making customers happy. Consumers will seek quality, experience, and evidence attributes of organizations before making buying decisions. The goal of product quality is to increase consumer preference and thereby sales. All of this to create a favorable picture of a product in the minds of consumers, ultimately leading to a purchase.

PT Ammay Cemerlang Nusantara is one of the largest distributors in Medan which expertise in Plastic goods and tissues. In addition, PT Ammay Cemerlang Nusantara not only sells directly to customer, but PT Ammay Cemerlang Nusantara also sells at large quantity for industrial needed. There is no doubt of PT Ammay Cemerlang Nusantara reputation in Medan as one of the largest distributors and with a numerous of experience PT Ammay Cemerlang Nusantara product quality and good promotion there is no doubt as one of the best in this industry.

Customer loyalty is critical to a company's success; keeping it means enhancing financial performance and ensuring the long-term health of the organization (Prahastuti, 2019). The meaning of customer loyalty can be regarded. Loyalty of customer Consumer loyalty is the ability of the customer to engage with or order from a business on a continuous basis. Loyalty will emerge from many factors, but in general, a loyal consumer will equate positive encounters with a company, thereby enhancing their probability of making repeated transactions with that firm. Loyal consumers pay more higher on goods and services than new customers because one of the loyal customer behaviors is promoting the company concerned to others, the firm can get new consumers because of its existing customers. A very important asset for any business, therefore, is a consumer who remains loyal to them. Customer loyalty is considered a vital regarding the sales of on company as if customer loyalty make our sales increase by mouth-to-mouth marketing as Indonesia people is most likely use the products or services that is already reviewed by the previous customers.

PT Ammay Cemerlang Nusantara has proved their worth in competing in the industry from years to years from PT Ammay Cemerlang Nusantara data we have given some of their longest customer until the shortest customer is have been prove that some of this hotel, restaurant and karaoke have keep maintaining their quality to their best. PT Ammay Cemerlang Nusantara customer is Jumbo restaurant with 1 subsidiary company, Hotel Danau Toba with 6 subsidiary

company, Hotel Soechi, PT Musim mas with 7 subsidiary company, Regale restaurant and Nelayan restaurant with 4 subsidiary company, Hotel Adimulia, etc.

Table 1.1 Total Customers of PT Ammay Cemerlang Nusantara

Year	Total Customers
2019	46
2020	39
2021	31

Sources: PT Ammay Cemerlang Nusantara, 2022

Promotion on the other hand is the most effective method of attracting and retaining customers; one of the promotional objectives pursued by the company is to inform customers about all of the products that are offered and to try to attract new potential customers; then, promotion serves to remind customers of their awareness of the product and its advantages; promotions also influence consumers in their purchase decision; and finally, promotion will increase sales and raise the image of our own brand.

Thing that business nowadays needed is how product quality and promotion of goods can maintain or made customer to stay loyal. For industry to growth promotion the priority at all the time as if our promotion is as good as competitors or better it will attract more consumer and make consumer to stay loyal to us. Both with good promotion and good quality product we can maintain our business stable, and crisis of company can be avoided. With good quality goods that provided by us such restaurant and hotel can keep their customer to have a great experience in and great image toward both restaurant and hotel and with those goods that distributors supply toward them they will make sure customer will keep coming because of their goods. Good quality product also has

to be also had a good promotion in order to keep customer to keep loyal toward us if our lazy in doing promotion and our quality is so-so customer will probably never come back to our place to buy again but if we have a good promotion and high-quality product to give them there will be higher chance to customer to comeback and buy goods from again

Some of the promotion that PT Ammay Cemerlang Nusantara did:

Table 1. 1 Promotion program of PT Ammay Cemerlang Nusantara 2021

Promotion	Frequency
Cashback	Once in three months (2% -3%)
Voucher	Once in month (10%)
Bonus Merchandise	Every 10 million in total purchase
Purchase Program	Adjustments to the amount of the purchase

Source: PT Ammay Cemerlang Nusantara (2022)

table 1.1. This cashback promotion by PT Ammay Cemerlang Nusantara had significant effect in this past 2 year there are some increasing in the early year and some decreasing in the other hand. Some of the customer from PT Ammay Cemerlang Nusantara had told them to do their previous promotion such as voucher and bonus merchandise. This could be problem for PT Ammay Cemerlang Nusantara in maintain their customer loyalty.

Based on the above explanation, the writer decides to conduct research entitled **“The Influence of Product Quality and Promotion on Customer Loyalty at PT Ammay Cemerlang Nusantara”**.

1.2 Problem Limitation

Due to limitation of time and budget this research focus to PT Ammay Cemerlang Nusantara that Product Quality (X_1), Promotion (X_2) and Customer

Loyalty (Y). PT Ammay Cemerlang Nusantara at Jalan Seksama Komplek Royal Seksama no C7. Because of covid-19 pandemic situation and with the safety protocol applied by the government the writer decides to distribute the through google forms for the safety of both writer and the businesses.

1.3 Problem Formulation

Based on the background of the study, the writer formulates several questions, follows:

1. Does Product Quality have influence on Customer Loyalty at PT Ammay Cemerlang Nusantara?
2. Does Promotion have influence on Customer Loyalty at PT Ammay Cemerlang Nusantara?
3. Do Product Quality and Promotion have influence on Customer Loyalty at PT Ammay Cemerlang Nusantara?

1.4 Objective of the Research

Based on the problem formulation the objectives of this research are:

1. To analyze whether Product Quality have influence on Customer Loyalty at PT Ammay Cemerlang Nusantara.
2. To analyze whether Promotion have influence on Customer Loyalty at PT Ammay Cemerlang Nusantara.
3. To analyze whether Product Quality and Promotion have influence on Customer Loyalty at PT Ammay Cemerlang Nusantara.

1.5 Benefit of the Research

The writer expects that this research can give benefits both theoretically and practically.

1.5.1 Theoretical Benefit

The research result can be used to expand, improve and develop the relevant theories especially in the Product Quality and Promotion and its influence on Customer Loyalty.

1.5.2 Practical Benefit

The practical benefits on this research are:

1. For the writer

The writer as the researcher to get more experience in doing the research and as an addition to knowledge regarding Product Quality, Promotion and Customer Loyalty.

2. For the company

To provide useful suggestion for the company in increasing Customer Loyalty especially improving the Product Quality and Promotion.

3. For other researchers

To be an additional reference, reference material for further research and information to interested parties in assessing the problem the same in the future.