

CHAPTER I

INTRODUCTION

1.1. Background of the Study

Customer loyalty is one of the core goals pursued in modern marketing. This is because with loyalty it is expected that the company will gain long-term benefits for the long-standing mutual relations in a certain period of time. The role of transportation for people is important. Therefore, this condition can increase the business in the transportation services. In the rapid globalization, it needs a fast, convenient and safe transportation. Many people choose airplane services for travel because it is fast, convenient and safe. Nowadays, the development of transportation sector in Indonesia can open business opportunity for several companies. The high competition requires every ticket and travel service company must create good service to maintain relationship with customer. Many companies compete to take the interest of the customer to use the services offered. Therefore, every company should strive to develop appropriate business strategy so that it can face competition.

The companies should continue to improve its services to win the competitive business and maintain loyal customers. Today's business competition is not only based on product quality, but also on service quality, which encourages customers to re-buy products or use the solutions we offer. However, it does not mean that the product that a company markets may be of a quality, especially if the product offered has more or less the same competitors. Another case for products that are essentially unique, high quality and have strong differentiation, so that customers will have clear value, even though there are similar products.

High-quality service, in the sense of being able to provide harmony with customer needs, clearly will be very different and requires fulfillment that is also tremendous. Essentially, even the upper, middle and lower class customers need good and quality service, but the levels are different.

The level of service quality will be in line with how much the customer is ready to pay. The higher the willingness of customers to pay for a product or service, the higher the demands / expectations for the provider of the product or service. Conversely, companies are required to be able to provide services that truly have values that are equivalent to those expected by customers. The gap in the value of company fulfillment with the expected customer, will make customers tend to turn to competitors. Therefore, if the writer observes, the core of the current competition is more about how the company is fully aware of its position, which target market, how high the quality of its products or services. Equally important is how high the value that can be given to customers and how the company treats customers from day to day.

That way, "building relationships" that are good with customers will be far more meaningful to customers than just "selling", because of high-quality products or services. In reality, there will always be competitors who will compete with the products or services offered, except for products or services that are truly unique, rare and not many people provide them. Building customer relationships that are really close, so the company knows a lot of things about its customers is not easy. Moreover, if the number of subscribers is quite a lot, it will hardly allow the company to understand one by one the customers are well and complete. For this reason, it takes an appropriate way for companies to know their customers better, so they can better serve them. The best way to build relationships with these customers is to build Customer Relationship Management (CRM).

Srivastava (2016, p.311) mentioned that, "With customer relationship management, the communication become more interactive and the frequency of reaching out to the customers. Customer relationship management can help build better customer relationship and increase customer loyalty."

With the existence of computerized technology (information technology), CRM is very important where customer or consumer data can be stored in a database along with the transaction behavior that it does. For example, a Family Club or Club House has several hundred members. All customers stored data including date of birth and so forth. When one of the members who happened to be that day was his birthday to check-in and also directly at that time the Club House receptionist wished a happy birthday to the member. That's one small example which is the effect of CRM where customers feel served personally. This is the result of a maximum customer database used by the company to support CRM. This will increase the credibility of the company in the eyes of its customers and automatically will also increase loyalty to the products or services offered by the company. Another example of CRM activities is calling or sending newsletters to each customer with content that is relevant to the preferences or interests of each customer.

CRM is wider than gift spread and call centres. The edges are still profits. It's useless to have loyal customers if not profitable. In the end the CRM concept will help companies recognize their customers. It's just that to get there, the company must be bothered. They must search customer data: date of birth, address, number of families, income, budget and shopping habits, favorite products, even hobbies because the customer is king and must always be served in a special way.

Conventional methods are obviously impossible because they will require a lot of resources and are not efficient. Moreover, the demands of customers are increasingly compounded. Customers are more intelligent, critical, and have many choices. When customer management becomes more complex, technology is needed here. With CRM, companies will more easily consolidate and analyze customer data, and use it as a vehicle to interact intensely. It is easier for companies to know and understand lifetime value of customers and provide perfect personal services.

The research is done to PT Angkasa Tour & Travel Medan. The company is engaged in ticket and travel service. The company should provide good product and service to customer in order to maintain and develop the business. The increasing of customer can increase the company's revenue. The number of customer in year 2014-2018 can be seen as follows:

Table 1.1 The Number of Customers of PT Angkasa Tour & Travel Medan

Year	Number of Customer	Changes
2014	260	-
2015	254	-2.31%
2016	250	-1.57%
2017	227	-9.20%
2018	195	-14.10%

Source : PT Angkasa Tour & Travel Medan (2018)

The number of customers in year 2014-2018 can be seen as follows:

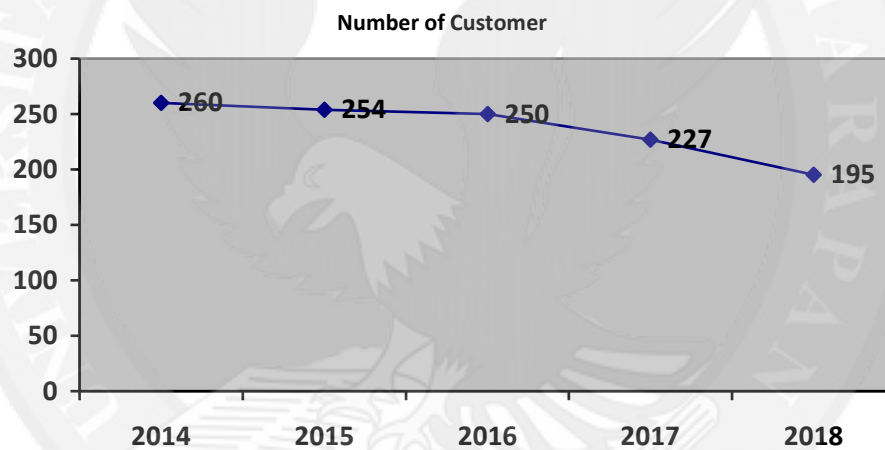


Figure 1.1 Number of Customer in Year 2014-2018

Source : PT Angkasa Tour & Travel Medan (2018)

It can be seen that there is decreasing of customer. This condition may imply indication of the decreasing of customer loyalty in the company. One of the factors that can decrease customer loyalty is customer relationship management. The company doesn't focus in increasing relationship with customer. The company doesn't have good planning and implementation of customer relationship marketing. The company's employee doesn't have high response to help and provide service to customer. The company's employee conduct the sales with focus in achieving sales target and increasing the sales transaction such as

the company's employee doesn't have willingness in making relationship with customer that doesn't make high purchase. The company's employee doesn't collect the complete information of customer. The company doesn't record the data of customer properly with using good administration and using computer technology.

The company also doesn't update and maintain the customer data such as address, telephone number, business activities, customer's financial condition, customer's email address and the benefit of product for customer. The company's employee doesn't conduct regular communication to obtain data and information from the customer such as communication with email, chatting application, telephone, direct visits, letter and discussion. The lack of company efforts to continue maintain good relationships to customers has caused them to often forget the company when they want to purchase travel products.

Based on description above, the writer want to conduct the research with title **“The Impact of Customer Relationship Management on Customer Loyalty in Family Business at PT Angkasa Tour & Travel Medan”**.

1.2 Problem Limitation

The writer determines limitation this study on customer relationship management as independent variable and customer loyalty as dependent variable at PT Angkasa Tour & Travel Medan. In this research, the writer will explain about customer relationship management with indicators of practice, customer focus, knowledge management, and relationship (Mohamad, et.al, 2014). The writer will also explain about customer loyalty with indicators of perceived quality, customer satisfaction, switching cost, trust and commitment (Rai, 2014).

1.3 Problem Formulation

Based on the background study above, the writer can take problem identification as follows:

1. How does PT Angkasa Tour & Travel Medan manage relationship with customer?
2. How is the customer loyalty at PT Angkasa Tour & Travel Medan?
3. How is the influence of the customer relationship management on customer loyalty at PT Angkasa Tour & Travel Medan?

1.4 Objective of the Research

The purposes in doing this research are as follows:

1. To describe how PT Angkasa Tour & Travel Medan manage relationship with customer.
2. To describe customer loyalty at PT Angkasa Tour & Travel Medan.
3. To identify whether there is the impact of customer relationship management on customer loyalty at PT Angkasa Tour & Travel Medan

1.5 Benefit of The Research

The benefits from conducting this research are as follows:

1.5.1 Theoretical Benefit

This research give benefit to developing theory of entrepreneurship especially customer relationship management and customer loyalty

1.5.2 Practical Benefit

- a. For writer, this research can add writer's knowledge in entrepreneurship especially customer relationship management and customer loyalty.
- b. For the company, this research can provide recommendation to company in improving customer loyalty with customer relationship management.
- c. For other researcher, this research can be used as reference to next research that related with this research topic.

1.6 Systems of Writing

The systems of writing in this *skripsi* will be as follows :

Chapter I : Introduction

This chapter consists of the background of the study, problem limitation, problem formulation, objective of the research, benefit of research and systems of writing.

Chapter II : Literature Review and Hypothesis Development

This chapter consists of theoretical background, previous research, hypothesis development, research model and framework of thinking.

Chapter III : Research Methodology

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

Chapter IV : Data Analysis and Discussion

This chapter shows general view of company data analysis and discussion.

Chapter V : Conclusion

This chapter presents the conclusion of this research, implication and the recommendation for the company.