

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Indonesia as a developing country has done a lot to increase construction capacity and capability. The government and private companies cannot do the construction of infrastructure and high-rise buildings owned by the government or private companies. Most of these developments require the assistance of construction services. This causes the atmosphere of competition between construction companies to be quite high. Projects undertaken by construction companies are slightly different from the manufacturing companies. Construction companies must compete to win tender in order to carry out their functions. (<https://www.indonesia-investments.com/business/risks/infrastructure/item381>, retrieved in 2017, June 23). Many factors cause companies to win project tenders, including project customer satisfaction, customer loyalty, construction company customer effort, and quality of service solution from the construction company itself.

Competition in the business world is nothing new, but intense competition. This matter seen from the emergence of new competitors as well as competitors who are already established in a business field. One of the business competition that exists in Indonesia is a construction service company that produces final products in the form of buildings or other physical forms, either in the form of facilities or infrastructure that function to increase the growth and development of various fields

in Indonesia.
(<https://dspace.uui.ac.id/handle/123456789/29723;jsessionid=E0628D6EA7BB38D49914B47A71426A7D>, retrieved 2020)

Deputy General Chairperson (WKU) of the Indonesian Chamber of Commerce and Industry for Public Works and Public Housing (PUPR) and Infrastructure Ihsannul Kamil said that with the growth of the construction industry in 2022 which is estimated at 7.2%, it can be seen that the construction and infrastructure industry sector is one of the main engines of national economic growth. It shows that construction services are a business field that is in great demand by members of the public at various levels, as can be seen from the increasing number of companies engaged in the construction service business. (<https://nasional.kontan.co.id/news/kadin-optimistis-proyek-infrastruktur-akan-dorong-pertumbuhan-ekonomi-indonesia>, retrieved 2022, April 18).

Difficulties in maintaining customers and increasing new customers are also experienced by PT. Dutaraya Sejati that engaged in the contractor services caused by increasingly fierce market competition, many competitors compete for work projects, resulting in project orders and local contractors' incomes decreasing. In carrying out its business pattern, PT. Dutaraya Sejati runs a B2B business pattern, where PT. Dutaraya Sejati sells their service construction to customers to build and design a company or factory that will be used again to support the continuity of the customer production of PT. Dutaraya Sejati. (Interview with PT. Dutaraya Sejati, 2022)

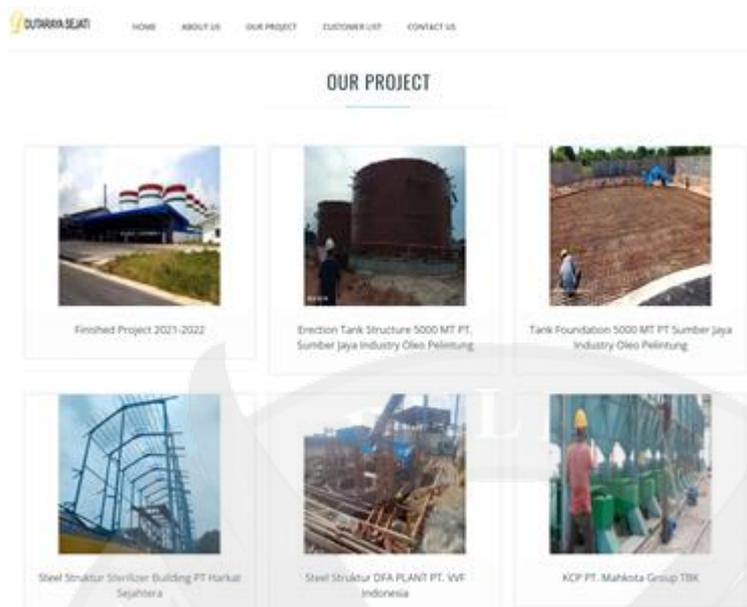


Figure 1.1 Company's Project

Source: <http://dutarayasejati.com>

Based on the interview with the Project Manager of PT. Dutaraya Sejati, in the beginning of the established PT Dutaraya Sejati Medan, it is difficult to engage and maintain customers due to the market competition because PT. Dutaraya Sejati still has just opened and there are still few customers who can trust the quality of service from PT. Dutaraya Sejati. (Interview with PT. Dutaraya Sejati, 2022)

PT. Dutaraya Sejati was established in 1992 which works in the field of general contractors located in Jalan Aluminium Raya No.2 Medan, North Sumatera. This company emphasizes customer satisfaction of the customers as its guideline. (<http://www.dutarayasejati.com>, retrieved 2022).

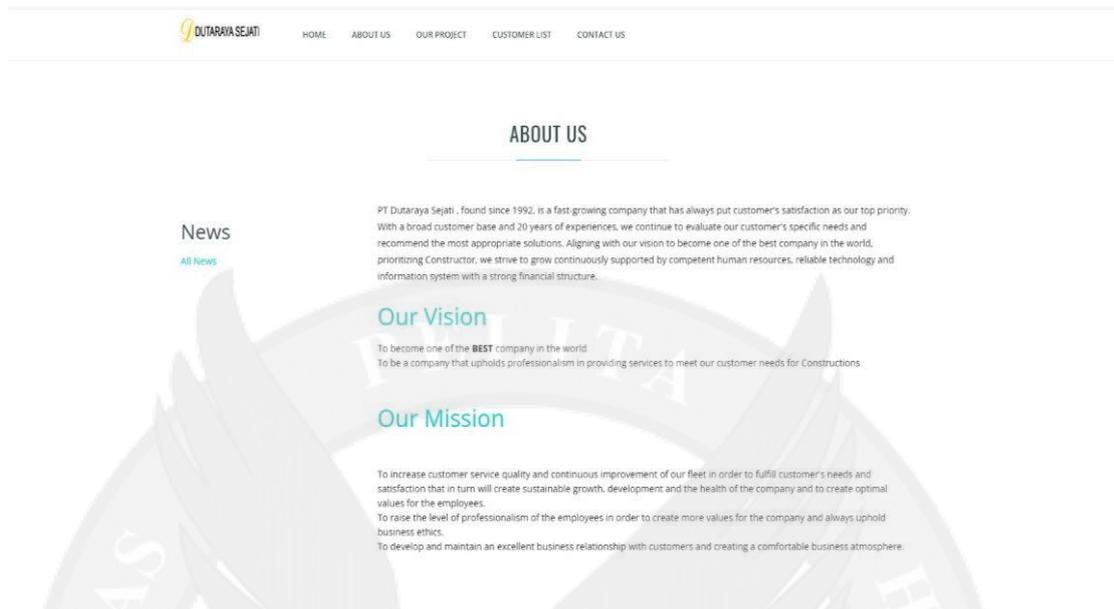


Figure 1.2 Company's Website
Source: <http://dutarayasejati.com>

Figure 1.2 shows that PT. Dutaraya Sejati prioritize customer satisfaction and customer service quality to develop and maintain an excellent business relationship with customers and create a comfortable business atmosphere. (<http://dutarayasejati.com/content/view/About%20Us>). According to Adam (2017), in consistent service will find the treatment conditions are the same for all consumers better about the time, place, opportunity and the provision of services. Poor service occur at the time a consumer to get different services and others. On the contrary, is expected to result from the consistency is consumer loyalty. A loyal customer is one who consistently does business with a company. It is what motivates recurring business and convinces current clients to pick our business over a rival that has comparable advantages. The company needs to build a solid foundation to create Consumer Loyalty that includes the correct portfolio in

identifying the consumer segment, attracting the correct Consumer, improving service and delivering high satisfaction values.

Table 1.1 Total Projects and Customer 2017-2021

Year	Total Projects	Total Customers
2017	60	8
2018	58	25
2019	50	23
2020	41	19
2021	57	39

Source : Prepared by the writer (2022)

Based on the interview with the 4 of Project Managers, it can be concluded that PT. Dutaraya Sejati experience a decrease in the number of projects from 2017 to 2020 and a slight increase again in 2021. This happened because in 2019 and 2020, there was a pandemic of the corona virus disease which resulted many projects being hampered and stopped because many companies were required to work from home and could not go directly to the field. However, in 2021 at the endemic of the corona virus, the project slightly increase again to catch up with many projects that were stopped last year. (Interview with PT. Dutaraya Sejati, 2022)

According to Hurriyanti (2018), loyalty is the amount of consumption and the frequency of purchases made by a consumer of a company. One of the manager in PT. Dutaraya Sejati said that even though in 2017 and 2018 PT. Dutaraya Sejati had a huge number of projects, in fact it consisted of only a few companies that could still be counted on ten fingers. This happens because of the many positive

reviews from customers so that they provide all the projects in the company and are entrusted by them to run the project. However, as time goes by, the total of customers are increasing and the total companies up to now (2022) that are still actively cooperating with PT. Dutaraya Sejati has reached 50 companies. (Interview with PT. Dutaraya Sejati, 2022)

According to the results of the interview above, it can be concluded that customer satisfaction has a significant influence on customer loyalty. When the customer is satisfied with the work, business results, and services provided by PT. Dutaraya Sejati, then the customer can reconsider using PT. Dutaraya Sejati again for future projects. Not only that, customers can also provide recommendations to new prospective customers to choose PT. Dutaraya Sejati as their contractor service for the experience it had. Thus, more and more prospective customers can grow to become loyal customers.

According to Kotler and Armstrong (2016), customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectation. Customer satisfaction is the level where an achievement of performance of a product received by consumers is equal to the expectations of customers themselves. To determine whether the customer is satisfied and loyal or not, in this research also using Procedural Justice, Interactional Justice and Distributive Justice, Customer Effort and Service of Quality Solution.

According to Chon et al (2000), the theory of procedural justice perceives that the rules and procedures used in allocating results need to receive a fairness assessment. Procedural Justice reflects the perceived similarity in decision making.

Procedural justice can be defined as the perceived fairness of the period of the process and procedures used in dealing with a problem. PT. Dutaraya Sejati maintain customer by giving a fast respond of the problem occurs for the business customer because business customer also need a quick time to fix the problem so that business customers can also run their business again since it is a b2b customer. (Interview with PT. Dutaraya Sejati, 2022)

According to Byrne (2022), interactional justice is the perception of fairness on the interpersonal treatment received by customers when formal procedures are applied either by the company. Interactional justice is related to the combination of empathy in the company's response to customers with fairness that appears in everyday collaboration. PT. Dutaraya Sejati has a good and polite interaction with all customers. At the time of the interview with PT. Dutaraya Sejati, it is said that the interaction between PT. Dutaraya Sejati with almost all customers are very close like a friend, so customers feel very comfortable interacting with them both in a problem, complaint, and compliment. (Interview with PT. Dutaraya Sejati, 2022)

According to Crow et al (2012), distributive justice sees justice from the point of view that fairness is seen from the assessment paid by customers to service companies that are balanced after the effort that the companies give to customers. Distributive justice is more directed to the complaints received by a company from customers and how the company responds properly and fairly to other customers. Although PT. Dutaraya Sejati interacts closely with customers, PT. Dutaraya Sejati remains professional in dealing with various problems and complaints from

customers by providing balanced and equitable solutions. (Interview with PT. Dutaraya Sejati, 2022)

Söderlund and Sagfossen (2017) argue that customer effort is everything that is seen based on customer perceptions of everything that is sacrificed to get a product. Customer Service PT. Dutaraya Sejati is very responsive and easy to contact. This is because each of the project holders has been divided by several people, so that when a problem or complaint occurs, PT. Dutaraya is able to respond quickly and efficiently. (Interview with PT. Dutaraya Sejati, 2022)

According to Liao (2007) and McCollough et al. (2000), Quality of service solutions is a constant and excellent quality in delivering recommendations to clients. Service quality has an important role, especially in forming good perceptions in the eyes of consumers. The quality of service must always be maintained and even continue to be improved to make it better. In terms of the quality of service solutions, PT. Dutaraya Sejati always offers various kinds of solutions to customers so that customers can choose the solution wisely by considering all the possibilities that will occur when choosing the solution. This is one of the strategy of PT. Dutaraya Sejati which makes customers feel satisfied by providing various open solutions and letting customers choose for themselves. (Interview with PT. Dutaraya Sejati, 2022)

Based on the phenomena described above, the writer is interested in conducting research by taking the title **“The Influence of Customer Loyalty through Procedural Justice, Interactional Justice, Distributive Justice,**

Customer Effort, and Quality of Service Solutions by Mediating Customer Satisfaction at PT. Dutaraya Sejati Medan”.

1.2 Problem Limitation

Problem limitation is used so that the discussion in this report not too widespread, therefore it is necessary to limit the problem. As for the limitations of the problem raised are as follow analyses seven variables, consisting of five independent variables, namely, Procedural Justice, Interactional Justice, Distributive Justice, Customer Effort, and Quality of Service Solutions, one dependent variable which is Customer Loyalty, and one intervening variable which is Customer Satisfaction.

1.3 Problem Formulation

The research uses PT. Dutaraya Sejati Medan as the research object, and based on the background of study, the writer is able to have a problem formulation such as:

1. Does Procedural Justice have significantly influence towards Customer Satisfaction at PT. Dutaraya Sejati Medan?
2. Does Interactional Justice have significantly influence towards Customer Satisfaction at PT. Dutaraya Sejati Medan?
3. Does Distributive Justice have significantly influence towards Customer Satisfaction at PT. Dutaraya Sejati Medan?

4. Does Customer Effort have significantly influence towards Customer Satisfaction at PT. Dutaraya Sejati Medan?
5. Does Quality of Service Solution have significantly influence towards Customer Satisfaction at PT. Dutaraya Sejati Medan?
6. Does Customer Satisfaction have significantly influence towards Customer Loyalty at PT. Dutaraya Sejati Medan?
7. Does Customer Satisfaction mediate the influence of Procedural Justice towards Customer Loyalty at PT. Dutaraya Sejati Medan?
8. Does Customer Satisfaction mediate the influence of Interactional Justice towards Customer Loyalty at PT. Dutaraya Sejati Medan?
9. Does Customer Satisfaction mediate the influence of Distributive Justice towards Customer Loyalty at PT. Dutaraya Sejati Medan?
10. Does Customer Satisfaction mediate the influence of Customer Effort towards Customer Loyalty at PT. Dutaraya Sejati Medan?
11. Does Customer Satisfaction mediate the influence of Quality of Service Solution towards Customer Loyalty at PT. Dutaraya Sejati Medan?

1.4 Objective of the Research

The study aims to identify a solution and a conclusion from the hypotheses created to be able to deliver and offer advantages to any customers who may benefit from this report. According to the background of the research, the goal of the research is to identify further and:

1. To determine whether the influence of Procedural Justice has a significant influence on Customer Satisfaction at PT. Dutaraya Sejati Medan.
2. To determine whether the influence of Interactional Justice has a significant influence on Customer Satisfaction at PT. Dutaraya Sejati Medan.
3. To determine whether the influence of Distributive Justice has a significant influence on Customer Satisfaction at PT. Dutaraya Sejati Medan.
4. To determine whether the influence of Customer Effort has a significant influence on Customer Satisfaction at PT. Dutaraya Sejati Medan.
5. To determine whether the influence of Quality of Service Solution has a significant influence on Customer Satisfaction at PT. Dutaraya Sejati Medan.
6. To determine whether the influence of Customer Satisfaction has a significant influence on Customer Loyalty at PT. Dutaraya Sejati Medan.
7. To determine whether Customer Satisfaction mediates the influence of Procedural Justice on Customer Loyalty at PT. Dutaraya Sejati Medan.
8. To determine whether Customer Satisfaction mediates the influence of Interactional Justice on Customer Loyalty at PT. Dutaraya Sejati Medan.
9. To determine whether Customer Satisfaction mediates the influence of Distributive Justice on Customer Loyalty at PT. Dutaraya Sejati Medan.
10. To determine whether Customer Satisfaction mediates the influence of Customer Effort on Customer Loyalty at PT. Dutaraya Sejati Medan.

11. To determine whether Customer Satisfaction mediates the influence of Quality of Service Solution on Customer Loyalty at PT. Dutaraya Sejati Medan.

1.5 Benefit of the Research

There are two types of benefits from research of customer purchase decision as a factor of Customer Loyalty through Procedural Justice, Interactional Justice, Distributive Justice, Customer Effort, and Quality of Service Solutions by Mediating Customer Satisfaction at PT. Dutaraya Sejati Medan. The benefits of conducting this research are as follows:

1.5.1 Theoretical Benefit

This research is expected to give a benefit to the company about how the effect of Procedural Justice, Interactional Justice, Distributive Justice, Customer Effort, and Quality of Service Solutions affect the Customer Loyalty and Customer Satisfaction, and this research will have contribution in developing the theory and improve the theory of customer loyalty through Procedural Justice, Interactional Justice, Distributive Justice, Customer Effort, and Quality of Service Solutions on customer satisfaction in the business. This will also benefit to the founding for stakeholders in business, such as marketers, managers, entrepreneurs, and owners understand better again and gain insights about how the variables will influence each other's.

1.5.2 Practical Benefit

This research will be able to serve as a help for many stakeholders, such as the writer, the company, and other researchers as well.

a. For company

To be used as the object of research, used as material for information and input, regarding Customer Loyalty through Procedural Justice, Interactional Justice, Distributive Justice, Customer Effort, and Quality of Service Solutions by Customer Satisfaction given to the customers, so that it can be taken into consideration by the company in improving the good service and customer satisfaction that give to increase customers loyalty.

b. For writer

To gain knowledge on type of a good service and understand customer satisfaction that effects on customer. This could boost and add more information and studies on Marketing study program.

c. For researchers

To be used as references, basis, and additional information for other researcher that interested in doing the research.