

CHAPTER I

INTRODUCTION

1.1 Background of The Study

Due to the extremely competitive situation in nowadays business market, lots of companies required to create a long-term consumer relation to maximum the customer life value to create a profit due to the customer loyalty.

To meet the requirements and desires of the target market, marketing is a concept that identifies, defines, evaluates, and provides goods and services. Building strong, long-lasting relationships with all individuals and groups that might positively or negatively impact a company's marketing efforts is the main objective of marketing. Companies are compelled to look beyond the standard marketing strategies, which are no longer sufficient to be followed for obtaining competitive advantage, in order to compete in such a crowded and dynamic market. Hence, relationship marketing became the key of creating a strong relationship for the company towards the customers. It became part of the marketing strategy to retain customers loyalty by giving the best services as the key to success in getting strong advantages on competitive situation in the current market and presents because of the repeat purchase from the loyal customers.

In this situation, customer is the main focus of the marketing. Relationship marketing focusing on creating the relationship with the customers and other instances as supporter.

The job of marketing management is increasingly including customer relationship marketing management. Customers and businesses both gain a lot when customer connection building is improved and prioritized. Relationship marketing is a tactic used to locate, create, and keep up relationships with consumers and other stakeholders while making a profit, therefore achieving the goals of all parties. Organizations now need to put more of an emphasis on building lasting relationships with their consumers than just maximizing profits since it is vital to establish and maintain favorable and cordial relationships with customers. Relationship marketing categorized as the significant and vital driving force on building favorable and sustainable relationship with the customer and will assist the percentage of customer satisfaction. Customer relationship marketing is very crucial concept to build a solid relationship and trust between company and customer. Maintaining and enhance customer relationship became crucial elements for the business life (Pratama, 2018).

Nowadays, competition has created the situation harder to compete for business even for the seller to survive since the new product and new competitors keep coming up with various variation and strong point. Company do notice the importance of customer satisfaction towards the business for long-terms that probably drive the loyalty of customers and extremely define the growth and profitability of a company. But, sometimes failure in delivering the best service is unavoidable. That's the part where the company have to build a solid service recovery in the management in order to maintain the stability of customer loyalty and customer satisfaction due to the failure. Service recovery is created by the

business company to resolve the complaint of an customers into a solution as the goals by addressing the complaints, maintain and restore the satisfaction of the customers and prevent the customers to move into competitor product. Commonly, customer that are disappointed and not satisfied will leave a negative comment about the company and that's where the service recovery provides a second attempts to deliver the best service to improve the relationship with the customers. A great and success service recovery will give a positive impact to reach customer satisfaction in overall to the company to give a lead on positive comments in terms of word-of-mouth recommendation or doing repeat purchasing behaviors towards company (Ganita 2019).

Due to the complexity and diversity of the demands of the customer, mistakes are increasingly frequent in service operations. Service failure results from a number of mistakes that occurred throughout the procedure. Service failures include things like a person not being available, a protracted wait time, and more. The organization should perform service recovery following a service failure in order to protect consumers from any unwanted effects. The consumer who is unhappy but does not complain will spread more bad rumors than the customer who is unhappy despite complaints. Service recovery is crucial because it will give impacts on the customer satisfaction which basically will leads to positive reviews and word of mouth recommendation that could attract more customers into company circle.

Although it is doubtful that businesses will be able to completely prevent service failures, they may learn how to deal with them when they do happen. The process

through which a business strives to rectify a service delivery failure is known as service recovery and is frequently referred to as this reaction. (Ganita, 2019).

Service recovery process is part of quality managements with the intention of maintaining customer relationship. Human presences are one of the factors of service delivery failures in the business.

As it is more expensive to acquire a new client than it is to keep and satisfy an existing one, service recovery is essential in a service context. As a result, businesses prefer keeping their current clientele over acquiring new ones. Effective service recovery also positively affects opinions of the company's competence, perceptions of the products and services' quality, and perceptions of their perceived worth. The company with a consideration on recovery activities as the second chance of giving the best services has a strong predetermined set of actions and management activities for resolving the recovery in order to fulfill the expectation of the customers. This way, the company could able to achieve the recovery process in a positive way. (Ganita 2019).

In a broad sense, a product is a tangible item that is utilized for commerce. Marketing describes a product as something that is made available to a market in order to meet customer needs and wants. A product is the essential component in market activity that adds value for the consumer. The value and happiness of a consumer are directly related to a product's quality since it has a substantial influence on how well a product or service performs. Modern consumers seek high-quality products. Customers want trustworthy products that are suitable for their needs and capable of carrying out their intended duties. The shifting of the

competitive environment and improving customer expectations regarding the product quality and customer satisfaction will lead the business into a increasement of emphasis on understanding customer attitudes and behavior in order to preserve and gain market share and profitability. (Indrawati 2018)

Product quality is derived from the difference between actual products and the alternative products that could be made available or provided by the particular industry. Additionally, how consumers see product quality on the market might affect it. The most crucial consideration when choosing a product is its quality, particularly in a market context with high levels of price and quality competition. Product quality is key factors of the satisfaction of the customers. The satisfied or unsatisfied customers became the outcomes of the quality perception of a product. The perception of customers about the product quality will create a foundation regarding the satisfaction level of the customers. Product basically became the problem solving of customer needs and the company have to determine the benefits of the products as the solution through the product. (Indrawati 2018)

This research is applied to PT Global Solid Agrindo. The company is engaged in production of feed for livestock. Keeping clients on board has grown to be a top priority for the company. To increase future sales and profits, the business wants to develop enduring relationships with its clients. The number of customer in year 2019-2021 can be seen as follows:

Table 1.1

The Number of Customer in Year 2019-2021

Year	The Number of Customer
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2019	225
2020	210
2021	197

Source : PT Global Solid Agrindo (2022)

Based on table above, it can be seen that there is decreasing of number of customer in year 2019-2021. It shows that majority of the customers doesn't loyal to the company by not frequently doing transaction with the company but other company with the same services. Based on the preliminary research, the customer most likely feel that the company aren't maintaining a good relationship with the customers. The company didn't create a marketing strategy to maintain customer relationship. The company didn't create an effective communication and interaction with the customer in order to maintain long-term relation with customers. The employees of the company didn't visit the customer regularly in order to take feedback or gaining information about the needs of the customers. The company's employees didn't provide friendly services to the customer that made the customer didn't feel comfortable while doing the transaction. The customer's complaints aren't handled in a very effective way resulting on customer doesn't feel safe on making transaction with the company.

The company didn't try hard enough to give the best service improvement to customer as the service recovery when they fail to provide the best service for the customer such as wrong information about the type, benefit or the price of the products. The company isn't fast enough to resolve the problem that give bad impact to customer purchasing experience. If the customers did wrong product

purchase, the company can't give refund or sales return for the wrong product purchase that makes the company disappointed and unsatisfied for the company services. The company aren't good enough to receive the suggestion of feedback from the customers. The company pay less attention to the customer complaints and resulting in some problem from the transaction session hard to be solve by the company. The customer didn't plan to determine process of service recovery that makes the customer feel not given the best services and response as fell when there is service failure. There is less effort from the company to take customer complaint about the stock availability, delivery postponed or late delivery, and other problems. Some employees didn't have responsibility to take the complaints seriously and the system guidelines isn't in the perfect terms as the service recovery providers. Some of the company's employees has lack of response ability regarding the service recovery.

Some products don't match the specifications provided by the customer. Because the company sells items with an extended lifetime, the product's durability likewise lowers. The company's product may be no better than the competition in terms of quality. Some buyers also want more qualities from the products. To meet client expectations, businesses must raise the quality. Customers' intentions to purchase the company's items may drop as a result of the product quality dropping from many aspects. It is expected that the product quality would meet client expectations. Customer satisfaction may grow when product quality rises.

From the description of the background of the problem above, the writer feels interested in studying in depth in the form of research with the title: "**Impact**

of Relationship Marketing, Service Recovery and Product Quality on Customer Loyalty with Customer Satisfaction as Intervening Variable in PT Global Solid Agrindo”

1.2 Problem Limitation

To avoid the misinterpretation of readers and deviate the subject matter, therefore researchers focus on the impact of relationship marketing, service recovery and product quality on customer loyalty with customer satisfaction as intervening variable.

1.3 Problem Formulation

Based on the description of the background of the problem, the authors formulate the following problems:

1. Does relationship marketing have impact on customer satisfaction in PT Global Solid Agrindo?
2. Does service recovery have impact on customer satisfaction in PT Global Solid Agrindo?
3. Does product quality have impact on customer satisfaction in PT Global Solid Agrindo?
4. Does relationship marketing have impact on customer loyalty in PT Global Solid Agrindo?
5. Does service recovery have impact on customer loyalty in PT Global Solid Agrindo?

6. Does product quality have impact on customer loyalty in PT Global Solid Agrindo?
7. Does customer satisfaction have impact on customer loyalty in PT Global Solid Agrindo?

1.4 Objective of the Research

The purpose of writing are

1. To know the impact of relationship marketing on customer satisfaction in PT Global Solid Agrindo.
2. To know the impact of service recovery on customer satisfaction in PT Global Solid Agrindo.
3. To know the impact of product quality on customer satisfaction in PT Global Solid Agrindo.
4. To know the impact of relationship marketing on customer loyalty in PT Global Solid Agrindo.
5. To know the impact of service recovery on customer loyalty in PT Global Solid Agrindo.
6. To know the impact of product quality on customer loyalty in PT Global Solid Agrindo.
7. To know the impact of customer satisfaction on customer loyalty in PT Global Solid Agrindo.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

This research theoretically is useful for adding insight and vocabulary of scientific studies in marketing especially regarding relationship marketing, service recovery, product quality, customer loyalty and customer satisfaction.

1.5.2 Practical Benefit

1. For the company

The design of performance management in the company is expected to provide practical benefits to obtain an effective relationship marketing, service recovery and product quality in increasing customer loyalty and customer satisfaction.

2. For the writer

The benefit is increasing knowledge about relationship marketing, service recovery, product quality, customer loyalty and customer satisfaction.

3. For the other researcher

The results of this study can be used as literature in improving relationship marketing, service recovery, product quality, customer loyalty and customer satisfaction.