

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Business growth in this era has developed quite rapidly, making competition for business people in all fields of business increasingly fierce. This increasingly competitive business competition certainly requires business actors to be sensitive to all changes (Arrosadi et al, 2022).

The success of a company in competition and the development of a business can be achieved in one way, namely by implementing a special strategy in order to be able to maintain / increase customer loyalty optimally so that the company can control the existence of products in market share (Roni, 2022).

Loyalty is an important key when you want your business to be successful. Loyalty is very important for companies to maintain because it will be able to influence customer decision making, including making purchases between business product lines. That is, they are more open to trying and buying various kinds of products from the company because they have trusted its quality. It would be even better if the company can build emotional bonds with customers. With this kind of trust, the tendency for loyal customers to recommend products is even greater (Nurjaya et al, 2022).

Personal selling management is a very effective tool at certain stages of the buying process. At the buying stage, the negotiation stage, and the sales stage. To sell a product, a salesperson is needed who can explain the product so as to

create confidence to buy from the customer. Without well-trained and good personal selling, the sale of an item can be sure that it cannot reach the sales target according to the company's target (Nurjaya et al, 2022).

Promotion is one of the variables in the marketing mix that is very important for companies to implement in marketing products and services. Sales Promotion is a major component in the marketing arena, consisting of motivating tools, generally in the short term, designed to stimulate faster and more excessive purchases of a product or service by customers in trade (Taris and Purwanto, 2022).

Loyalty arises because customers have experience regarding the superiority of the products or services sold by the service provider company. Loyalty arises because customers have a good impression of the product or service they buy. With the slogan customer is king, the company must create a good experience for customers by providing maximum service. A good experience is shown through a good impression that arises after the customer feels the benefits of the product or service exceed his expectations (Wardhana, 2019).

Customer loyalty is the primary customer experience outcome and may diminish customers' propensity for switching brands. Jain et al (2017) mentioned that conventional value propositions are insufficient to reach customers and create differentiation. Organizations must focus on customer experience to create a seamless total experience and maintain customer loyalty (Sudiyono et al 2022).

PT Jaya Baru Mandiri is a well-known distributor in Medan, Indonesia that specializes in machine and car parts. With its considerable experience and

reputation, PT Jaya Baru Mandiri has grown into one of the region's largest workshops, serving not only to individual consumers but also selling huge quantities of items to industrial clients. The company's dedication to providing high-quality products and services has aided in the development of its strong brand image.

In consumer loyalty, the author found that there was a decrease in the number of customers who made purchases on the lathe. This can be seen in the following data.

Table 1.1 Number of Customers on Repetitive Purchases

| | 2020 | 2021 | 2022 |
|-------------------------|-------------|-------------|-------------|
| Term 1 (Jan-Mar) | 15 | 30 | 15 |
| Term 2 (Apr-Jun) | 25 | 23 | 18 |
| Term 3 (Jul-Sep) | 17 | 28 | 10 |
| Term 4 (Oct-Dec) | 15 | 25 | 20 |
| Average | 18 | 27 | 16 |

Source: PT Jaya Baru Mandiri (2023)

From the data given in table 1.1 above, it can be seen that there have been several increases and also decreases in customers making repurchases at PT Jaya Baru Mandiri which occurred in 2021-2022, in the 4 terms described above we can see that there are several customers who have returned to make repeat purchases which we can consider as loyal customers to PT Jaya Baru Mandiri. In 2020 there are 18 average consumers which then increase to, then in 2021 there are 27 average consumers. Then it decreased again in 2022 there are 16 average consumers.

In customer experience, the writer conducted a pre-liminary test with 30 customers to find out their experience in buying products at PT Jaya Baru Mandiri. The results of the pre-liminary test are as follows.

Table 1.2 Pre Liminary-Test of Customer Experience at PT Jaya Baru Mandiri

| No | Questions | Yes | No |
|----|---|-----|----|
| 1 | Are you satisfied in buying products at PT Jaya Baru Mandiri? | 12 | 18 |
| 2 | Is PT Jaya Baru Mandiri able to understand your needs as a customer? | 10 | 20 |
| 3 | Does PT Jaya Baru Mandiri offer quality products that meet your expectations? | 19 | 11 |
| 4 | Would you recommend PT Jaya Baru Mandiri to your colleagues? | 12 | 18 |
| 5 | Is PT Jaya Baru Mandiri active in maintaining good relations with customers? | 16 | 14 |

Source: Pre Liminary-Test (2023)

The results of the pre-liminary test show that customers state that they are less satisfied buying products at PT Jaya Baru Mandiri, do not understand customer needs and will not recommend PT Jaya Baru Mandiri to other colleagues. Meanwhile, there are still customers who state that the products offered are as expected and are able to maintain good relations with customers.

In personal selling activities, the company has a decreasing number of sales. The sales data shows that the sales force in the company has not been able to achieve the expected sales targets and shows a trend in declining sales as follows.

Table 1.3 Data of Sales Target and Realization of Personal Selling at PT Jaya Baru Mandiri

| | Target | Sales 1 | Sales 2 | Sales 3 |
|-------------|------------------|------------------|------------------|------------------|
| 2020 | Rp 5.000.000.000 | Rp 3,210,987,654 | Rp 2,345,678,901 | Rp 2,109,876,543 |
| 2021 | Rp 5.000.000.000 | Rp 1.378.900.000 | Rp 1,234,567,890 | Rp 1,234,567,890 |
| 2022 | Rp 5.000.000.000 | Rp 1,987,654,321 | Rp 1,098,765,432 | Rp 1,156,789,012 |
| | Total | Rp 6,577,541,975 | Rp 4,679,012,223 | Rp 4,501,233,445 |

Source: PT Jaya Baru Mandiri (2023)

From the sales data by salesmen, it shows that there was a decrease from 2020 with total sales of Rp 6,577,541,975, decreased in 2021 with total sales of Rp 4,679,012,223 and then in 2023 experienced sales of Rp 4,501,233,445.

In sales promotion activities, PT Jaya Baru Mandiri provides several promotional programs carried out within 1 year of implementation such as discounts, advertising, and loyalty programs for customers in the following table.

Table 1.4 Sales Promotion Activity at PT Jaya Baru Mandiri

| Promotion Programs | Duration | Description |
|--------------------|------------------------------------|--|
| Discount | January-March November-December | Discount of 5% for a minimum purchase agricultural machinery of Rp 100,000,0000 and discount 8% for cash payments with terms and conditions. |
| Cashback Programs | January, December | 5% Cashback for every purchase of machinery |
| Loyalty | April-June | Provided a 5% incentive to loyal customers with a certain purchase amount and received a souvenir. |

Source: PT Jaya Baru Mandiri (2023)

Data on sales promotion activities shows that the promotional activities carried out are still not interesting and varied. The company relies more on giving discounts with a large enough number of purchases and cash payments in certain months, cashback programs for every purchase of machinery, and only provide incentive 5% for loyal customers with certain purchase amount.

This study will investigate the relationship between personal selling, sales promotion, and on customer loyalty at PT Jaya Baru Mandiri mediating by customer experience as intervening variable. The study's findings will provide important insights into the success of various marketing methods and their impact on customer loyalty in the context of the organization. Finally, the findings will assist PT Jaya Baru Mandiri in making educated decisions to improve customer happiness, develop loyalty, and drive business growth in a competitive market.

Therefore, in line with the background of the study mentioned above, the writer is encouraged to undertake a research study and seeks to investigate more

thoroughly with a title, "**Personal Selling and Sales Promotion to Improve Customer Loyalty at PT Jaya Baru Mandiri using Customer Experience as Intervening Variable**"

1.2 Problem Limitation

Limitation of the problem in this research only discusses "Personal Selling and Sales Promotion to Improve Customer Loyalty at PT Jaya Baru Mandiri using Customer Experience as Intervening Variable". Personal Selling (X_1) with indicators about communication ability, product knowledge, creativity and empathy (Nandang, 2021). Sales Promotion (X_2) with indicators about promotion frequency, promotion quality, quantity and promotion time (Saggentang et al, 2019). Customer Experience (Z) with indicators about Feel, Sense, Think, Act, and Relate (Maharani et al, 2022). Customer Loyalty (Y) with indicators about make repeat purchases, buy between product and service lines, refer others, be immune to competitors (Arrosadi et al, 2022).

1.3 Problem Formulation

Based on the background of the study, the writer can have a problem formulation such as:

- a. Does the personal selling have a positive influence on customer experience at PT Jaya Baru Mandiri?
- b. Does the sales promotion have a positive influence on customer experience at PT Jaya Baru Mandiri?

- c. Does the customer experience have a positive influence on customer loyalty at PT Jaya Baru Mandiri?
- d. Does the personal selling have a positive influence on customer loyalty at PT Jaya Baru Mandiri?
- e. Does the sales promotion have a positive influence on customer loyalty at PT Jaya Baru Mandiri?

1.4 Objective of the Research

The study will achieve the following objectives:

- a. To examine the positive influence of Personal Selling towards Customer Experience at PT Jaya Baru Mandiri.
- b. To examine the positive influence of Sales Promotion towards Customer Experience at PT Jaya Baru Mandiri.
- c. To examine the positive influence of Customer Experience towards Customer Loyalty at PT Jaya Baru Mandiri.
- d. To examine the positive influence of Personal Selling towards Customer Loyalty at PT Jaya Baru Mandiri.
- e. To examine the positive influence of Sales Promotion towards Customer Loyalty at PT Jaya Baru Mandiri.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

It is assumed by the author and readers that the findings of this

investigation will advance the study of management and as a reference for similar research in the future, especially concern about personal selling, sales promotion, customer loyalty mediating by customer experience.

1.5.2 Practical Benefit

In practical terms, the company expects the study's findings to be input for PT Jaya Baru Mandiri, particularly in decision-making to establish company policy, aiding PT Jaya Baru Mandiri in resolving its issues. For the researcher, this study is anticipated to give a broad overview of the impact of personal selling, sales promotion and on customer loyalty at PT Jaya Baru Mandiri mediating by customer experience.

