

CHAPTER I

INTRODUCTION

1.1 Background of The Study

In 2022 this is the year of the rise of the property sector. The various obstacles that exist do not make the property sector lose its popularity, especially the residential and tourism subsectors which will continue to increase. Optimism for the property sector continues to be shown by various groups. As a real sector, the property business in Indonesia has a large market guarantee and as proven by several crises plus the Covid-19 pandemic at the beginning of 2020, the property sector in Indonesia is still recording a growth trend. However, the great potential for the country's property sector is also overshadowed by various obstacles and potential risks that are not small. Some of the challenges and risks that could occur include the rising tide of inflation in the global realm which will have a big impact on the recovery of the property sector in the country (www.rumah.com, retrieved in 2023, September 20).

The business of selling cheap houses in Medan has promising potential. With rapid economic growth and high demand for cheap homes in this city, this business opportunity could be the right choice. In running this business, several factors need to be considered such as strategic location, affordable prices, and effective marketing (www.homecare24.id, retrieved in 2023, October 20). The following is a list of housing that has been built by PT Karya Bangun Sejahtera Lestari and its competitors

Table 1.1 Data on Housing That Has Been Built By PT Karya Bangun Sejahtera Lestari And Its Competitors

No	Company Name	Residential Objects
1	Mentari Group https://instagram.com/mentari_group/	a. Tempuling Aurora jl. Tempuling b. Kempinski jl. Seksama a. Mentari Raffles jl. Surya Haji
2	Sekawan Development https://www.instagram.com/sekawan.development/	a. Sentosa Village jl. Sentosa lama b. Krakatau Palace jl. Mapilindo c. Singkarak Palace jl. Amal
3	Pin Development (Nodigon) https://instagram.com/pin_development/	a. The Fullerton jl. Madio Santoso b. The Dior jl. Kolam c. The Denver jl. Surya
4	Chansa Group https://instagram.com/chansa.group/	a. Tuasan Royal Suite jl. Tuasan b. Sidorukun Royal Suite jl. Sidorukun c. Royal Residence jl. Pasar II
5	PT Karya Bangun Sejahtera Lestari	a. Madio Regency jl. Madio Santoso b. Katamso Kopel Regency jl. Kopel c. River Place Villa Medan jl. BZ Hamid Kanal

Source: Prepared by the writer (2023)

The table above shows the results of housing built by PT. Karya Bangun Sejahtera Lestari and its competitors. For real estate companies such as PT. Karya Bangun Sejahtera Lestari, the company always tries to build a strong customer base and foster long-term relationships. However, access to view information on housing results by the company is not easy because the company does not have digital access such as Instagram to help customers see photos of housing that the company has worked on. This is what makes companies unable to increase customer loyalty due to the lack of formulating effective marketing strategies, especially in improving overall business performance.

Customer Loyalty is needed to see the development of the heavy equipment industry. According to Priansa (2017), consumer loyalty is the long-term dedication of a consumer to a business and its products, demonstrated by frequent and

consistent consumption of those goods, making the business and its offerings a significant component of the customer's consumption process. Loyalty refers to a feeling, or emotional bond, that makes someone want to tie themselves to an organization or brand, even though they could get a better product from a competitor. Therefore, marketers or organizations need to make efforts to get consumers to behave or take actions that the company wants, such behavior or actions can be profitable.

Company reputation, promotion, and relationship quality have emerged as key variables that have a significant impact on customer loyalty. Corporate reputation refers to the perception and evaluation of an organization's image, credibility and reliability in the eyes of stakeholders, including customers. According to Krisprimandoyo (2021), a firm's reputation is the whole assessment made by consumers of the company based on their experiences with its goods and services, its communication efforts, and their contacts with it. In addition, the ability of service providers to forge strong bonds with clients and the presence of high integrity with regard to the services they offer are critical components in creating a positive perception of the business in the eyes of clients. Gaining the trust, satisfaction, and loyalty of customers is facilitated by a positive corporate reputation.

Promotional activities include marketing communication efforts aimed at creating awareness, generating interest, and promoting products or services to target customers. Kotler, Keller & Chernev (2022) mention that promotions are activities that communicate product excellence and persuade target customers to buy them.

Effective promotional campaigns positively influence customer perceptions and their subsequent loyalty. Promotion is an important factor in realizing a company's sales goals. Promotion is a way of introducing products to customers and potential customers through advertising, personal selling, sales promotion and direct marketing. By doing promotions, the product will be known by customers and it is hoped that customers will be interested in buying the product so that sales occur. To retain customers and it is hoped that customers will make repeat purchases. In addition to promotion, producers must also provide good service in order to create customer loyalty.

Relationship quality relates to the strength and depth of the relationship between a company and its customers, emphasizing factors such as trust, commitment, communication, and personalized interactions. According to Kose (2022), it has been discovered that the foundation of a strong connection between buyers and sellers is the idea of relationship quality, which is an overall evaluation of a relationship's strength. Customer maintenance is one of the important factors in realizing a continuous relationship between the company and the customer. If customers feel cared for and their needs are always met, both practical needs such as product services, and emotional needs such as being appreciated, respected, then customers will always contact the company to fulfill their needs. If long-term relationships can be realized well, it will produce trust, commitment and honesty and can foster mutually beneficial business relationships, so that customers and companies feel comfortable and customer loyalty can be increased.

This research was conducted at PT. Karya Bangun Sejahtera Lestari, a real estate company, operates in a dynamic and competitive market where customer loyalty plays an important role in maintaining market position and driving growth. To maintain customer loyalty, the company must be able to apply the right marketing strategy through corporate reputation, promotion and relationship quality. However, the problem of customer loyalty at PT. Karya Bangun Sejahtera Lestari often occurs due to intense competition with similar companies regarding promotion and relationship quality issues so that some customers are not loyal or loyal to repurchase the property business at the company.

From the results of observations at PT. Karya Bangun Sejahtera Lestari, researchers see a customer loyalty problem which can be seen by a decrease in the number of customers buying property business at PT. Karya Bangun Sejahtera Lestari from 2018 to 2022.

Table 1.2 Number of Customers Who Purchased Property Business at PT. Karya Bangun Sejahtera Lestari 2018 – 2022

Year	Total Customers	Difference in Total of Customers	Percentage of Difference in Total of Customers
2018	167	-	-
2019	144	-23	-13,77%
2020	138	-6	-4,17%
2021	131	-7	-5,07%
2022	102	-29	-22,14%

Source: PT. Karya Bangun Sejahtera Lestari, 2023

The data in the table above shows the data on the number of customers in 2018 of 167 customers and the data on the number of customers in 2019 of 144 customers indicating a decrease of 23 customers or a decrease of 13.77% from 2018, data on the number of customers in 2020 of 138 customers indicating a

decrease 6 customers, down 4.17% from 2019. Data on the number of customers in 2021 of 131 customers shows a decrease of 7 customers or down 5.07% from 2020 and data on the number of customers in 2022 of 102 customers shows a decrease of 29 customers or decreased by 22.14% from 2021. There was a decrease in the number of customers from 2018-2020 because customers were not interested in repurchasing other housing from PT. Karya Bangun Sejahtera Lestari alleged that there was a lack of promotion by the company and that many customers were still unwilling to refer home purchases to PT. Karya Bangun Sejahtera Lestari is the main choice in buying a property business in Medan, allegedly because there is no guarantee from the company to provide the best service to customers.

Based on observations at PT. Karya Bangun Sejahtera Lestari is known to have customer loyalty problems caused by the company's poor reputation. The following is an overview of the company's reputation as seen from the number of followers on Instagram social media.

Table 1.3 Overview of The Reputation Of PT Karya Bangun Sejahtera Lestari And Its Competitors

No	Company Name	Total Followers
1	Mentari Group	76.500
2	Sekawan Development	32.000
3	Pin Development (Nodigon)	12.300
4	Chansa Group	1.162
5	PT Karya Bangun Sejahtera Lestari	Tidak ada

Source: Instagram (2023)

The table above shows that PT. Karya Bangun Sejahtera Lestari has no followers on Instagram, which shows that the company's reputation is still unknown to the people in Medan. This can be seen from the products and services, namely that the service is still not superior compared to its competitors so that customers

still do not trust PT. Karya Bangun Sejahtera Lestari and products produced by PT. Karya Bangun Sejahtera Lestari does not have its characteristics so this makes customers not interested in making repeat purchases if PT. Karya Bangun Sejahtera Lestari builds housing in other places. Apart from that, the products offered by PT. Karya Bangun Sejahtera Lestari cannot increase customer interest because the concept offered is not different from the others.

Table 1.4 below explains the promotional issues for PT Karya Bangun Sejahtera Lestari carried out in 2022.

Tabel I.4 Promotion PT. Karya Bangun Sejahtera Lestari in 2023

Type of Promotion	Problem
Advertising	<ul style="list-style-type: none"> • Advertising messages are less attractive • Installation of banners only in offices • No distribution of brochures from the company
Sales Promotion	<ul style="list-style-type: none"> • There is no complete display of housing examples • Discount distribution is limited to certain events
Personal Selling	<ul style="list-style-type: none"> • Personal Selling has not provided complete information • Lack of good relationships with new consumers

Source: PT. Karya Bangun Sejahtera Lestari, 2023

Based on Table at PT. Karya Bangun Sejahtera is known that Lestari's promotion strategies used by the company are advertising, sales promotion and personal selling, so during the observation the researcher found advertising problems because the advertisement lines in the newspaper were too small, the advertisements displayed were less attractive, the distribution of brochures had not yet been distributed, where the advertisements displayed were only banners, the advertising images were less attractive and the language of the advertisements was

not well understood, causing customer loyalty to decrease. Apart from that, there are also problems with sales promotion activities caused by sellers not caring about consumers or potential consumers, discounts for customers are only given at certain events and only a small amount of funds are available for sponsorship, causing customers not to buy again. And Personal Selling activities also experience problems because employees are still unable to maintain relationships with new consumers because when making sales transactions, employees do not have better knowledge about the products they will sell and the company has not provided complete information, especially updating sales information from PT Karya Bangun Sejahtera Lestari in the digital world.

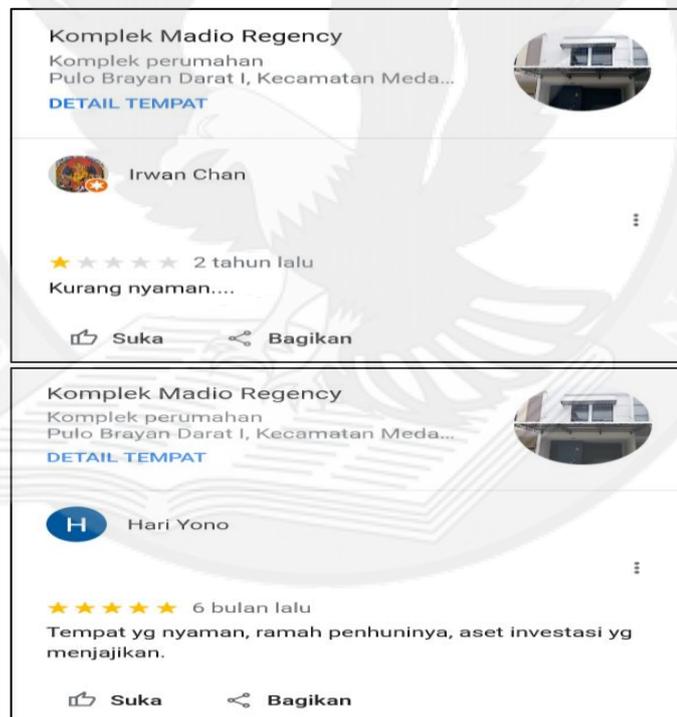


Figure 1.1 Relationship Quality in Madio Regency

Source: Prepared by the writer (2023)

Based on the picture at PT. Karya Bangun Sejahtera Lestari is also known to have Relationship Quality problems where there are differences of opinion from

customers who buy houses in Madio Regency. This is because there are still customers who are dissatisfied with the service provided by the company, where when customers file complaints about the products they buy, the company is less responsive and quick in resolving customer complaints. Apart from that, customers do not believe or do not have strong confidence in the company's performance in constructing buildings according to customer wishes, so customers have not made PT Karya Bangun Sejahtera Lestari their first choice in purchasing residential property.

Based on the background, the writer is interested in conducting research with the title **“The Effect of Corporate Reputation, Promotion and Relationship Quality on Customer Loyalty at PT. Karya Bangun Sejahtera Lestari.”**

1.2 Problem Limitation

Due to limited time and ability, the writer determines problem limitation on corporate reputation, promotion and relationship quality as independent variable and customer loyalty as dependent variable. Indicators of corporate reputation are emotion appeal, product and services, vision and leadership, workplace environment, and social responsibility. Indicators of promotion are sales promotion, advertising, personal selling and direct marketing. Indicators of relationship quality are satisfaction, commitment and trust. Indicators of customer loyalty are repeat purchase, retention and referrals. The study was carried out at PT. Karya Bangun Sejahtera Lestari, which is located on Jalan Gunung Krakatau No. 169A, Pulo Brayon Darat I, East Medan, Medan, North Sumatra. The population and samples

used are all consumers who buy property business in 2022.

1.3 Problem Formulation

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

1. Does the corporate reputation have effect on customer loyalty at PT. Karya Bangun Sejahtera Lestari?
2. Does the promotion have effect on customer loyalty at PT. Karya Bangun Sejahtera Lestari?
3. Does the relationship quality have effect on customer loyalty at PT. Karya Bangun Sejahtera Lestari?
4. Do the corporate reputation, promotion and relationship quality have effect on customer loyalty at PT. Karya Bangun Sejahtera Lestari?

1.4 Objective of the Research

The objectives of the research are as follows:

1. To know the effect of the corporate reputation on customer loyalty at PT. Karya Bangun Sejahtera Lestari.
2. To know the effect of the promotion on customer loyalty at PT. Karya Bangun Sejahtera Lestari.
3. To know the effect of relationship quality on customer loyalty at PT. Karya Bangun Sejahtera Lestari.

4. To know the effect of corporate reputation, promotion and relationship quality on customer loyalty at PT. Karya Bangun Sejahtera Lestari.

1.5. Benefit of the Research.

1.5.1. Theoretical Benefit

This research will give benefit in developing marketing theory especially corporate reputation, promotion, relationship quality and customer loyalty.

1.5.2. Practical Benefit

1. For the company, this research gives recommendation for company in developing customer loyalty with corporate reputation, promotion, relationship quality and customer loyalty.
2. For writer, this research can provide additional knowledge and experience in marketing.
3. For other researcher, this research can be used as reference to next research that related with this research topic.