

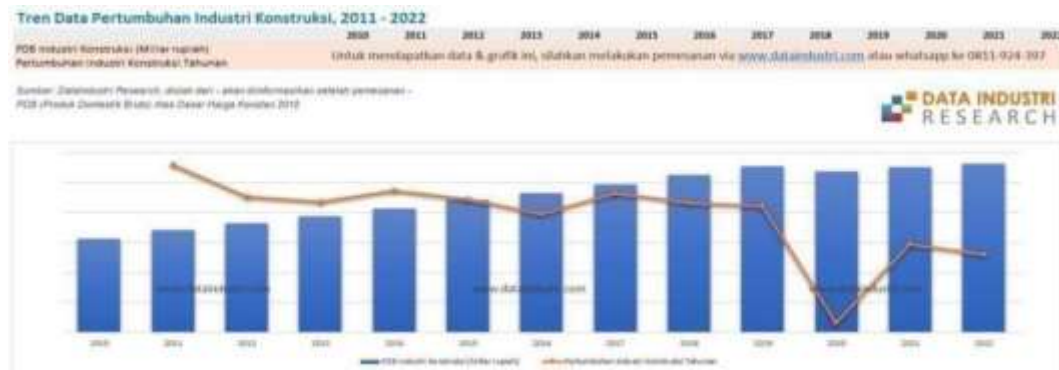
# CHAPTER I

## INTRODUCTION

### 1.1. Background of Study

In today's modern era, construction services are soaring all over the world, the construction service business is needed by everyone for the construction of public facilities, private facilities, construction of houses and offices, these services will provide benefits and safety for building or facility users. Based on Muzaki (2019) in carrying out the construction service business sector, service providers must pay attention to development regulations that include environmental sustainability. Therefore, business actors and users of construction services must understand their respective responsibilities, such as legal documents for construction service providers and work contracts in the construction sector. Furthermore, the procurement of goods or services will be closely related to the contract. The construction service industry, which is also known as a construction work contract which is contract that contains an agreement between the legal rules of the service user and the service provider in a construction service agreement, both parties must comply with the contract that has been made. The development of the construction industry in Indonesia is growing rapidly from year to year due to continuous developments carried out such as public and private facilities, construction of houses and offices as well as renovations carried out by landowners. It can be seen from the development data that the number of the construction industry in Indonesia has grown quite large from year to year. Figure 1.1 shows the growth of

construction industry in Indonesia.



**Figure 1.1. Data of Construction Industry in Indonesia**

Sources: Data Industri Research (2023)

Based on the figure above, the increasing of construction industry in Indonesia made all of contractor service provider has many competitors which every company need to compete for customers. Good service will give a good impression to customers. The rapid growth of the construction industry in Indonesia also marks by many of construction businesses such as service that have similarity and differences, both in term of product, price and service that offered. For example, in the construction business, innovating something new on the services so that a new case of service is creates. The more services in this business can winning the market and increase on customer satisfaction in the form of competition between business owners and every business owner is required to make a powerful strategic in order to make customer feel satisfied and achieve the customer loyalty. Customer satisfaction is caused positively by the products and services offered by distributors, this habit has an important role in future purchases by customers. In addition, customer satisfaction can give a positive impression on customers of the products or services offered in PT. Lamtamas Maruli Nauli, Medan. In the competitive

construction on developing a satisfied customer, various ways are used by business owners to meet customer satisfaction and gain customer loyalty. Determining a strategic plan is important to face existing and future competition (Khairudin et al., 2019).

Among many construction industry sectors, this research will focus on a company namely PT. Lamtamas Maruli Nauli, Medan located at Jalan Letda Sujono Baru No 1, which is a strategic place and easy to reach. PT. Lamtamas Maruli Nauli target customers are the public, new construction area, palm oil plantation. PT. Lamtamas Maruli Nauli provide many facilities such as provide lower prices if customer rent for a long time and provide discounts for customers who rent frequently and provide good services on giving customer a good product to be rented which make customer happy to visit again in the future. According to Sharma et al., (2021) Loyalty is important in company performance to ensure the relationship between the company and customers has a long-term relationship, by achieving customer expectations, customer loyalty will remain. Customers tend to provide value before and after experiencing an experience with a product or service, in fulfilling this perception customer satisfaction will be achieved.

PT. Lamtamas Maruli Nauli wants to achieve their goals in the form of achieving satisfaction and loyalty, PT. Lamtamas Maruli Nauli must implement a strategic and attention to several things. Procedural justice which in the end can make customer have positive impression when visiting PT. Lamtamas Maruli Nauli, then PT. Lamtamas Maruli Nauli also must pay attention to interactional justice and distributive justice which make customers feel comfortable and fairly

distributive among other customers. Not only that, another strategic is to maintain customer effort which can minimize effort given by customers and increase their satisfaction and the last is maintaining the quality of service solutions for customers which prepare a good solution and impressive them with the solution that make by PT. Lamtamas Maruli Nauli, by focusing on this factors, it will provide customer satisfaction and customer loyalty (Sugathan et al., 2018).

**Table 1.1. Comparison of Heavy Equipment Companies**

No	CompanyName	Established	Products/Service
1	PT. Lamtamas Maruli Nauli	2016	<ul style="list-style-type: none"> <li>- Heavy Equipment Rental Service</li> <li>- Land Clearing Service</li> <li>- Palm oil Plantation Replanting Service</li> <li>- Rubber Plantation Replanting Service</li> <li>- Plantation Ditch Making Services</li> <li>- Harvesting Service (Wood)</li> </ul>
2	PT. Alvaro Utama Jaya	2015	<ul style="list-style-type: none"> <li>- Hoarding Service</li> <li>- Transportation Service</li> <li>- Heavy Equipment Rental Service</li> <li>- Base Procurement Service</li> </ul>
3	PT. Sarana Baja Perkasa	1994	<ul style="list-style-type: none"> <li>- Road Construction and Maintenance</li> <li>- Forestry Work</li> <li>- Canal Manufacture</li> <li>- Heavy Loads by Crane</li> </ul>

Sources: PT. Lamtamas Maruli Nauli, Medan

PT. Lamtamas Maruli Nauli, Medan is one of the construction companies that has been survived and trying to improve their sales by paying attention to several factors such as more attention to procedural justice, interactional justice, level of distributive justice, level of customer effort and quality of service solutions adjustment with competitors. Apart from that, PT. Lamtamas Maruli Nauli, Medan will also pay attention to their competitors as a reference to become better and gain many of customers. Table 1.1 shows the fierce competition among the three companies such as PT Alvaro Utama Jaya and PT Sarana Baja Perkasa that engage in the same industry, including PT. Lamtamas Maruli Nauli. Even though PT.

Lamtamas Maruli Nauli is not the oldest company established, it proves that it has been able to compete with other competitors until now. Moreover, the services offered are more varied compared to the other two competitors who are only offering four services. However, the more services a company offers does not mean that they can shift their sight on the other things. Instead, they must keep improving all the factors that can impact on the company to achieve their main goal which is customer satisfaction that leads to customer loyalty.

**Table 1.2. Number of repeat customer at PT Lamtamas Maruli Nauli in one year period**

Months	Number of customers	Percentage(%)
August 2022	25	0,0%
September 2022	29	16%
October 2022	23	-21%
November 2022	25	9%
December 2022	30	20%
January 2023	33	10%
February 2023	40	21%
March 2023	37	-8%
April 2023	45	22%
May 2023	49	9%
June 2023	55	12%
July 2023	64	16%

Sources: PT. Lamtamas Maruli Nauli, Medan (2023)

Afthanorhan et al. (2019) stated that customer satisfaction is the level of service performance quality so that it can meet customer expectations and even exceed customer expectations. High satisfaction results in greater customer retention, stronger value and reputation. One method to measure satisfaction is to compare the benefits and costs. Satisfaction as a post-purchase basis is affective or cognitive in nature and focuses on product or service evaluation. Additionally, customers are either very satisfied or happy when the service exceeds their expectations. This aspect proves that customers satisfaction is an element of modern marketing though and practice. Based on the theory above, it can be concluded that

customers' satisfaction is a customer feeling and responses in the form of assessment of a product or service used where their expectations are met.

Moreover, PT. Lamtamas Maruli Nauli Medan has different impressions from the other construction companies in general, it has a luxurious enough impression to be enjoyed while a good service has been served. A special impression can be seen from PT. Lamtamas Maruli Nauli Medan is on the products and how the employee welcomed their customers. That way the customer who comes to PT. Lamtamas Maruli Nauli Medan will be greeted politely and given extraordinary service when having a consultation at PT. Lamtamas Maruli Nauli Medan. Thus, PT. Lamtamas Maruli Nauli Medan gives the impression of procedural justice, interactional justice, distributive justice, customer effort and quality of service solutions which indicates that they have made a good impact on customer satisfaction.

Algesheimer et al. (2005) stated that customer loyalty is the availability of customers to carry out transactions with a particular company repeatedly to maintain long-term commitment to a company even though there is potential profit if they move to another company. Based on Table 1.1 which shows the comparison of PT. Lamtamas Maruli Nauli and the other competitors, the company has been established since 2016 which indicates that the company has been surviving for about 7 years until now. It is obvious that in 7 years, they have been successful in retaining their customers, which is proof that they have achieved customer loyalty as customers still come back to the company until now.

Next is one of the most important factors in increasing customer satisfaction

and maintaining customer loyalty is procedural justice. Procedural justice is the focus of processes, policies and regulations for the services provided. The biggest determinant in customer perceptions of procedural justice is the accuracy and speed in handling complaints by service providers (Brien and Tyler, 2019). In this era in growth of construction industry in Indonesia, there are many competitors in construction industry. That's why procedural justice is one of the most important

factors to compete to other company. According to Quinton et al., (2022) Procedural justice tends to cover how well an organization feels and has a positive impact on time services in the workplace. Therefore, procedural justice is one of the important aspects which can influence customer satisfaction and loyalty (Andhika, 2020). When the customer feels convenience and respond time is less which require more time than other company, customer will feel dissatisfied. Procedural justice can predict compliance with rules in a fair and clear manner so that greater compliance has a broadly positive impact. There is a positive influence between procedural justice on customer satisfaction and customer loyalty which means if the customer's procedural justice experience is getting better, then customer satisfaction will also increase and rise in customer loyalty.

Customers of PT. Lamtamas Maruli Nauli experienced a good and fast response when they are using the services of this company, any problems that occurred in the workplace such as wrong address in shipping, the delay of sending the heavy equipment, etc. could be handled properly (PT. Lamtamas, 25 September 2023). Thus, when a customer of PT. Lamtamas Maruli Nauli is involved in this procedural justice, the motivation of the customer will increase their level of

satisfaction and many of them will continue to show loyalty.

Interaction is the most important thing we can do and also one of the most important things in conversation between people. According to Sharron et al., (2021) Interactional justice aims at interpersonal treatment during service recovery, such as apologizing, providing help, politeness and empathy. When customers feel dissatisfied with how the employee interacts with them then customers will feel dissatisfied. Based on Dhana et al., (2018) Simple interactions with every contact to make things easy for customers. It is good to simplify the process to ensure a quick and precise connection to the agent, some customers hate being forced to re-tell their journey, the right effort is to filter all questions to identify the right expert.

PT. Lamtamas Maruli Nauli is a company that provides many products of heavy equipment and serves rent based on hour. For example, renting an excavator for excavating land for planting oil palm land, drilling land, and filling land to compact land for property development and also providing some workers to be employed in the field to speed up development projects. All of this purpose is to give the impression of quick services and distribution well between customers. That's why customers do not need to hesitate to choose any services at the company, and it will give the impression of being expected, so it will give its own satisfaction to their customers.

Distributive justice refers to the results received such as compensation because they are considered effective in solving problems between customers and service providers. The compensation given will be fair enough for customers if it is well received (Diastri, 2019). The customer's desire for tangible results is an



important key to realize when exercising distributive justice. Characteristics of distributive justice can be called compensation in the form of refunds, exchanges, repairs, discounts, free upgrades and others. Individuals who feel that compensation is not distributed fairly may tend to attribute injustice to abuse of power (Muslimin, 2018). One of the key factors in construction business competition is the distributive justice, PT. Lamtamas Maruli Nauli, Medan has a distributive justice that is fairly distributed which this company also offers compensation, refunds and adding rental hours so that customers can choose if there are some dissatisfactions from the service provided (PT. Lamtamas, 20 September 2023).

The business owner must be able to make the right choices regarding the distribution among customers. Because as mentioned above, offering compensation, refund and adding rental services hours will attract the customers attentions to do purchase and allowing customer to choose according to the type of the distribution offering. Therefore, it is hoped that distributive justice will be varied so that they can fulfill the desires of customers each of them have different in term of choosing compensation, refunds and adding hours.

According to Dandha et al., (2020) Customer effort is a metric of customer service which can measure customer satisfaction when receiving a product or service. With customer effort, customers will be asked to rate their experience on a scale. Customer efforts in demonstrating the product have higher satisfaction when customers spend more effort to obtain the product or service such as more money to get it. Utilizing self-service resources can help customers find answers to their questions, self-service is easier compared to service representatives because the

response is fast like giving tutorials in service is a great example of reducing customer effort (Bondarenko, 2022). Customer effort in the service industry is one of the preventions efforts that focuses on unnecessary activities and action to do by customers while company must be able to provide them. Where customer effort is not required among the service sector and industry, minimum customer effort can higher increase in customer satisfaction and gain customer loyalty. PT. Lamtamas Maruli Nauli Medan maintained customer effort where they provide several customer services that will give quick services by phone extension.

An important aspect of the construction industry is convenience and comfort in getting information rather than putting more effort into it where customer effort is part of survival. Based on (Silalahi, 2019) In understanding customer efforts, it is good to create an intuitive user journey, analyzing customers along with support and abandonment data, for example many special requests in tracking shipments, can be done by changing support with materials so that customers have easy access to track them. Maintaining customer effort is an important factor in the service industry area. PT. Lamtamas Maruli Nauli ensure all their employees have a quick response and did not miss out any of customer needs and putting their effort to gain any information especially in front office service area. This is because customers expect quick responses and less effort in getting what they want. If the company provides all information clearly, then customers' effort can be minimized, and it can improve company reputation and create relationships with customers to increase customer satisfaction and gain customer loyalty.

Quality of service solutions is one of the most important things in the service

industry. Quality of service solutions is a part of influencing the choice of customer in getting products to be rented and service to get. According to Hanjaya (2021) Customer expectations and satisfaction can be explained on the scale of the quality of services provided, companies must realize that the quality-of- service management is an important factor in business. According to Slamka (2018) One of the keys to losing customers is when customer service calls are difficult or there is no way to contact the company agent. Customer service agents not only answer questions asked by customers but think deeper to ensure that customers do not face other problems after they receive a response from the information provider. From several theories of quality of service solutions, it can be seen that quality of service solutions has been agreed upon by the prospective customer in a goods or services, PT. Lamtamas Maruli Nauli has a service with a variety of solution such as adding rental hours, compensation and refunds, so customer who visit PT. Lamtamas Maruli Nauli can choose what solution according to their needs (PT. Lamtamas, 20 September 2023)..

Therefore, the writer decided to find out if procedural justice, interactional justice, distributive justice, customer effort, quality of service solutions of PT. Lamtamas Maruli Nauli, Medan could influence customer satisfaction and customer loyalty. The writer will conduct the final title of this research in the form of a thesis with the title **“The Influence of Procedural Justice, Interactional Justice, Distributive Justice, Customer Effort, Quality of Service Solution towards Customer Satisfaction and Customer Loyalty at PT. Lamtamas Maruli Nauli, Medan”**.

## 1.2. Problem Limitation

In order for this study to be more precise, the writer has set some limitation such as:

- a. This research will focus on several variable including procedural justice, interactional justice, distributive justice, customer effort, quality of service solutions as the independent variable with customer satisfaction and customer loyalty as the dependent variable.
- b. The data of this study is gathered from PT. Lamtamas Maruli Nauli, Medan.
- c. The data which is going to be used in examining the research model is going to be collected in the form of questionnaires that are designed based on
- d. research objects of PT. Lamtamas Maruli Nauli, Medan.
- e. The sample that are going to be analyzed are limited in certain criteria such as being domicile in Medan, having the status of a company that has serve last customer, making rental transactions within the last year also having the reason for choosing PT. Lamtamas Maruli Nauli, Medan as a business partner.

## 1.3. Problem Formulation

Understanding this study in order to know if there is an influence of procedural justice, interactional justice, distributive justice, customer effort, quality of service solution towards customer satisfaction and customer loyalty in this study. Therefore, there are problem formulation in attempt this research to answer this several questions:

- a. Does procedural justice significantly influence customer satisfaction at PT. Lamtamas Maruli Nauli, Medan?

- b. Does interactional justice significantly influence customer satisfaction at PT. Lamtamas Maruli Nauli, Medan?
- c. Does distributive justice significantly influence customer satisfaction at PT. Lamtamas Maruli Nauli, Medan?
- d. Does customer effort significantly influence customer satisfaction at PT. Lamtamas Maruli Nauli, Medan?
- e. Does quality of service solution significantly influence customer satisfaction at PT. Lamtamas Maruli Nauli, Medan?
- f. Does customer satisfaction significantly influence customer loyalty at PT. Lamtamas Maruli Nauli, Medan?

#### **1.4. Objective of the Research**

Based on the problem formulation that are mentioned above, the objectives of this study divided into several aspect such as:

- a. To determine whether procedural justice significantly influences customer satisfaction at PT. Lamtamas Maruli Nauli, Medan.
- b. To determine whether interactional justice significantly influences customer satisfaction at PT. Lamtamas Maruli Nauli, Medan.
- c. To determine whether distributive justice significantly influences customer satisfaction at PT. Lamtamas Maruli Nauli, Medan.
- d. To determine whether customer effort significantly influences customer satisfaction at PT. Lamtamas Maruli Nauli, Medan.
- e. To determine whether quality of service solutions significantly influence customer satisfaction at PT. Lamtamas Maruli Nauli, Medan.

- f. To determine whether customer satisfaction significantly influences customer loyalty at PT. Lamtamas Maruli Nauli, Medan.

### **1.5. Benefit of the Research**

This study was expected to provide good benefits which is divided into two type of benefit such as:

#### **1.5.1. Theoretical Benefit**

The results of this research are expected to provide information on existing theories and their relation to procedural justice, interactional justice, distributive justice, customer effort, and quality of service solutions whether have an influence on customer satisfaction and customer loyalty at PT Lamtamas Maruli Nauli Medan.

#### **1.5.2. Practical Benefit**

This research can also provide practical benefits apart from theoretical benefits and provide more knowledge in helping to improve PT Lamtamas Maruli Nauli Medan, other researchers and writers. There are several benefits of practical in this study such as:

- a. For the Writer

The results of this research can help the author understand each variable in this research and provide more knowledge about each variable such as procedural justice, interactional justice, distributive justice, customer effort, quality of service solution as well as customer satisfaction and customer loyalty.

- b. For PT. Lamtamas MaruliNauli, Medan

This research serves as a suggestion for PT. Lamtamas Maruli Nauli, Medan in

term of how to improve a better procedural justice, interactional justice, distributive justice, customer effort, quality of service solution, customer satisfaction and customer loyalty.

For another research

- c. This research has goals and benefits for other researchers as a reference source who may need reference material for researchers who conduct research with similar variables.

