

# CHAPTER I

## INTRODUCTION

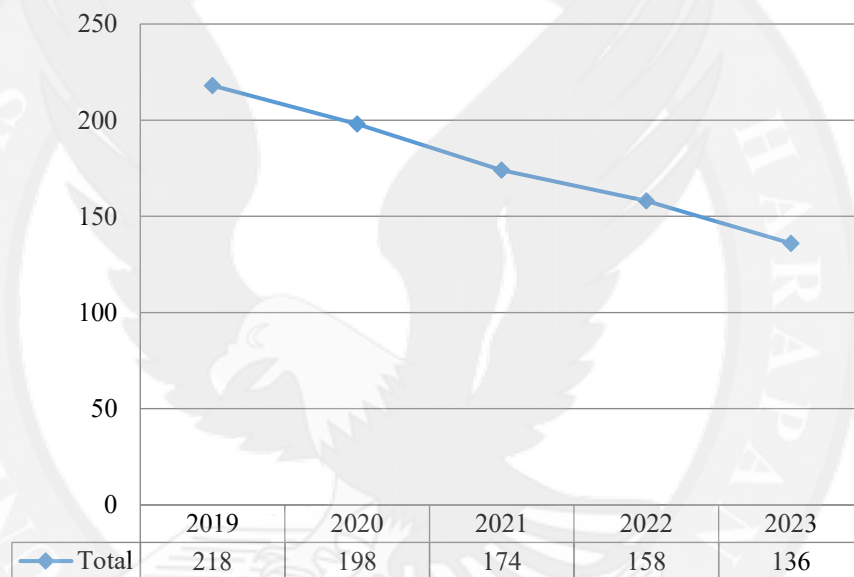
### 1.1 Background of the Study

The organization relationship management strategy is described as the ability of organization to enhance long-term customer relationships and satisfy its customers. The main focus of those organizations is on customer satisfaction and customer loyalty. It means that they retain customers and encourage them to repeat orders. In addition, customer loyalty and retention have significant impact on company profitability. The benefits of having loyal customers should be considered in order to offer more tangible picture to practitioners, to those who are going to implement customer relationship management so as to gain customer loyalty within their organizations. The benefits are well documented in the literature. Loyal customers can lead to increased revenues for the organization (Nurkarian & Kurniantara, 2022).

In addition to the importance of customer loyalty, it should be mentioned that loyalty involves more than simply retaining the client. It is connected to an evolution of the satisfaction of the customer and the relationship between customer and company over time. Customer loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite the fact that there are situational influence and marketing efforts having the potential to cause switching behavior. It has been argued that for loyal buyers, companies must invest in relationship building and customer intimacy. Building such

relationship and intimacy will also conclude to stronger loyalty (Nurkarian & Kurniantara, 2022).

PT Piro Walet, Medan is a company engaged in the distributor of spare parts for the animal husbandry, especially swallows. Based on a survey conducted that there is a decrease in customer loyalty which decreases in the number of customers each year at PT Piro Walet, Medan. This can be seen in Table 1.1 below:



**Figure 1. 1 Number of Customers at PT Piro Walet, Medan (2019-2023)**

Sources: PT Piro Walet, Medan, 2024

Figure 1.1 Shows that sales data from 2021-2023 decreased. This is due to the high level of competition so that the decline in number of customers has resulted in a decrease because there are many factors that could affect customer loyalty at PT Piro Walet, Medan.

Trust is willingness to rely to the others who have believed. Trust is the belief that providers of services can establish a relationship run long with

customers, as well as the willingness or belief partner exchange to establish a relationship term long to produce work that is positive. Trust as a positive result of what is expected, the results that a person receives based on the expectations of the performance of others. Trust is the foundation of the most important in building a relationship marketing are successful and defines trust as something feeling that arises when one party has the confidence of the reliability and integrity of the other. The gain the loyalty of customers, suppliers especially first must gain the trust of customers (Surapati, Suharno, & Abidin, 2020).

According to customers, the company experienced a decrease in integrity in serving customers, especially related to the validity of information that often experiences discrepancies or errors. Several phenomena related to customer trust resulted in declining repeat purchases seen in Table 1.1.

**Table 1. 1 Sales Data at PT Piro Walet, Medan  
2019-2023**

<b>Year</b>	<b>Total</b>
2019	48.548.963.940
2020	39.368.547.050
2021	37.681.113.500
2022	34.584.167.430
2023	25.180.484.500

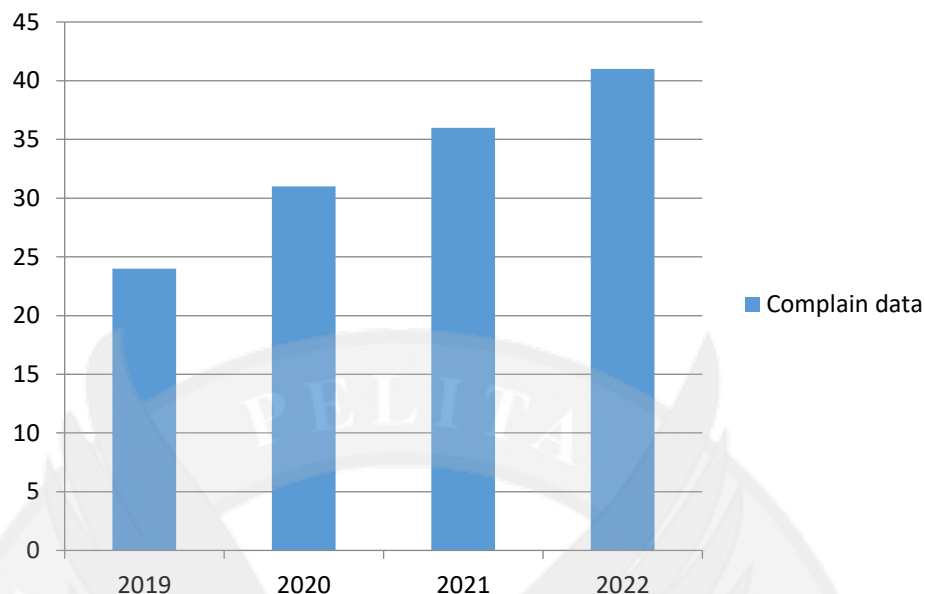
Sources: PT Piro Walet, Medan, 2024

Table 1.1 shows that the decline in sales decline caused by decreased customer confidence. Some problems in customer trust related to the integrity of the company's employees decreased, the knowledge of marketing employees is minimal so that it cannot meet the needs of customer information on spare parts and when there are products that are recorded and damaged but the company handles less quickly. This leads to customer disappointment. The decline in customer confidence is also caused by the performance of company employees

who are less clear and precise so that sometimes triggers customer emotions when there are problems in the product or product price.

Customer satisfaction is the standard in assessing the success of an organization's achievement through performance. It is important to achieve this in order to determine new customers that are loyal to the company and create an impact in increasing the number of buyers. Customer satisfaction is the positive judgment on a product or service in accordance with their needs. In addition, service providers tend to fulfill their expectations, by providing satisfactory goods and services. Satisfied customers show positive behaviors while making transactions, by trying out new products or services, making good comments, and providing suggestions on organizational development. Conversely, dissatisfied customers tend to express their feelings through negative behavior, which has the ability to harm the company's reputation. Therefore, companies need to maintain outstanding services to keep customers satisfied and loyal (Bakar, Damara, & Mansyur, 2020)

Based on interviews conducted with several customers, it was found that customers felt dissatisfaction with the company. This is related to the distribution system that is often late and often problematic, dissatisfaction with the quality of products that are not well maintained. Based on the data obtained that the level of customer satisfaction has decreased, which can be seen from the level of customer complaints that have increased at PT Piro Walet, Medan.



**Figure 1. 2 Complaints Data at PT Piro Walet, Medan (2019-2023)**

Sources: PT Piro Walet, Medan, 2024

Figure 1.2. show that the customer complaints are often submitted to the marketing division. In the company seen that there is growth in the number of customer complaints on the company. Some of the complaints that are often filed by customers to the company are related to disappointing service quality due to the lack of handling product returns quickly and appropriately, distribution systems that are often late and lack of coordination from PT Piro Walet, Medan to customers in case of problems, increased prices for several brands of spare parts but no confirmation to customers. Some of these things trigger customer dissatisfaction at PT Piro Walet, Medan.

The right marketing strategy requires marketers to know their consumers more because consumer wants and needs can continue to change. One of the factors that trigger impulsive purchases is a sales promotion. Sales promotion is defined as an activity that aims to urge specific target market segments to buy a

product, such as giving discounts or offering gifts when buying a product. The primary purpose of sales promotion is to stimulate potential customers to purchase the products offered. This shows that promotions and special offers when opening the Shopee application affect buyers who make impulsive buying. The sales promotion is one of the factors that affect customer loyalty. The number of promotions offered in these marketplaces can encourage consumers to make purchases outside the plan (Mutanafisa & Retnaningsi, 2021).

Based on interviews conducted that the sales promotion program at this company seemed monotonous and less attractive to customers compared to other similar companies that design promotional programs well.

**Table 1. 2 Programs of Sales Promotion at PT Piro Walet, Medan (2023)**

Month	Programs
January	Promotional package with holiday gift purchase for 1 month with a total spend of 80 million and parcel.
February	Rewards Program.
March	Parcel Rewards Program
April	Rewards Program
May	Discount Program for cash payments of 3%
June	-
July	3% discount for all SWIFTRON brand products with minimum transaction of 20 million
August	3% discount for all SWIFTRON brand products with minimum transaction of 20 million
September	-
October	Rewards Program
November	Purchase a purchase package of 65 million for the Kis product brand and get a bonus product that can be selected.
December	Discount Program for cash payments of 3% for all product then gift pack calendar and notebook

Sources: PT Piro Walet, Medan, 2024

Table 1.2 shows that the company's promotional program looks monotonous. This results in a decreased level of customer loyalty at PT Piro Walet, Medan. Some sales promotion programs are only related to discount

programs and giving gifts to customers approaching the days of Chinese New Year, Christmas and Eid.

From the above explanation, the writer decides to conduct research entitled **“The Influence of Customer Trust, Customer Satisfaction and Sales promotion on Customer Loyalty at PT Piro Walet, Medan”**.

### **1.2 Problem Limitation**

Due to limitation of time and budget this research focused to PT Piro Walet, Medan that customer trust ( $X_1$ ), customer satisfaction ( $X_2$ ), sales promotion ( $X_3$ ), customer loyalty ( $Y$ ).

### **1.3 Problem Formulation**

Based on the background of the study, the writer formulates several questions, follows:

1. Does customer trust have positive influence towards customer loyalty at PT Piro Walet, Medan?
2. Does customer satisfaction have positive influence towards customer loyalty at PT Piro Walet, Medan?
3. Does sales promotion have positive influence towards customer loyalty at PT Piro Walet, Medan?
4. Do customer trust, customer satisfaction and sales promotion have simultaneously positive influence on customer loyalty at PT Piro Walet, Medan?



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

Based on the problem formulation the objectives of this research are:

1. To analyze whether customer trust has positive influence towards customer loyalty at PT Piro Walet, Medan.
2. To analyze whether customer satisfaction has positive influence towards customer loyalty at PT Piro Walet, Medan.
3. To analyze whether sales promotion has positive influence towards customer loyalty at PT Piro Walet, Medan.
4. To analyze whether customer trust, customer satisfaction and sales promotion have simultaneously positive influence on customer loyalty at PT Piro Walet, Medan.

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

The writer expects that this research can give benefits both theoretically and practically.

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

The research result can be used to expand, improve and develop the relevant theories especially in the trust, customer satisfaction and sales promotion influence towards customer loyalty.

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

The practical benefits on this research are:

1. For the writer



The writer as the researcher to get more experience in doing the research and as an addition to knowledge with regard to trust, customer satisfaction, sales promotion and customer loyalty.

2. For the PT Piro Walet, Medan.

To provide useful suggestion for the company in increasing customer loyalty especially improving the trust, customer satisfaction and sales promotion.

3. For other researchers

To be an additional reference, reference material for further research and information to interested parties in assessing the problem the same in the future.

