

# CHAPTER I

## INTRODUCTION

### 1.1 Background of Study

A decision usually arises from a customer's perceived needs. Purchasing decisions are customers' understanding of the wants and needs for a product by assessing existing sources by determining goals and identifying alternatives accompanied by post-purchase behavior. There are two categories of elements that affect a customer's behavior when they are making a purchase: internal and external influences. Internal elements include awareness, retention, learning, drive, personality, feelings, attitudes, and purchasing power; outside variables include socioeconomic class, family, culture, subculture, and demographics, and marketing activities (different forms of advertising/promotion).

This difficult challenge is something that is felt most by every marketer from an enterprise that needs to put in a lot of effort to get clients to make purchases of various products or offerings. Customer Loyalty is a condition where a customer carries out a transactional process repeatedly with the same company or person. According to Firmansyah (2019), Loyalty is a sequence of repeating or choosing to purchase from the same brand in all purchase cases which is based on a deep commitment to consistently repurchase products or services of preference. Customers who purchase goods or services from the same business or brand continuously or repeatedly are characteristics of a loyal customer. Customer loyalty is also considered to be very important because loyal customers can maintain the

stability of a business and become a benchmark for a company to develop its business. Several factors can influence a customer's loyalty to a company, such as experiential marketing, relationship marketing, and personal selling.

Experiential marketing is the process of creating an experience for the customer instead of contacting them via conventional marketing techniques. Experiential marketing is, in fact, highly effective. It can boost the possibility that a target audience will interact with your business more in the future or become more devoted customers when you can successfully engage them and give them a positive experience that enables them to see the advantages of a product for themselves. According to Harjadi and Arraniri (2021), experiential marketing is a strategic concept which is an era of marketing change with a shift from the functional concept to the experience concept of a product or service.

Customer relationship marketing (CRM) focuses on establishing lasting relationships with clients to raise Customer Lifetime Value (CLV), engagement, loyalty, and customer alignment while cutting expenses for greater return on investment. In contrast to conventional marketing, which prioritizes immediate sales. Customer relationship marketing focuses on building a client profile, comprehending the goals and desires of the customer, and offering exceptional customer service that consistently adds value to the consumer. According to Rizal (2020), customer relationship marketing is a process of identifying and building, maintaining, accelerating and whenever necessary severing relationships with customers and other parties who have an interest in the company to gain profits, so that it can achieve the goals of all parts involved with it.

Personal selling is a meeting between sellers and potential buyers face to face to inform and provide an understanding of a product or brand being offered so that potential buyers are willing to try and buy it. Personal selling can also be interpreted as an action that every business owner takes to keep and grow their company by making money from clients. According to Firmansyah (2020), personal selling is the most effective tool at advanced stages of the purchasing process, especially for building customer preferences, beliefs and encouraging action.

Based on the research conducted by Priantoro and Soliha, et. al. (2022) entitled The Influence of Experiential Marketing and Location on Customer Loyalty. The study's findings indicate that either partially or simultaneously experiential marketing and location have a positive and significant influence on customer loyalty. Based on the research conducted by Mujahidin, et al. (2022) entitled: The Effect of Relationship Marketing and Relationship Quality on Customer Loyalty (Bank Muamalat Indonesia). The study's findings indicate that either partially or simultaneously relationship marketing and relationship quality have a positive and significant influence on customer loyalty (Bank Muamalat Indonesia). Based on the research conducted by Bela. (2022) entitled: *Pengaruh Pelayanan dan Personal Selling Terhadap Loyalitas Nasabah di Bank Muamalat KCP Sumenep*. The study's findings indicate that either partially or simultaneously services and personal selling have a significant effect toward Customer Loyalty at Bank Muamalat KCP Sumenep.

The current tough business competition occurs in various sectors, The financial sector, which encompasses entities such as banks, plays a crucial role. Banks function as intermediaries, gathering funds from the public and then providing them back to the public in the form of credit or financing. This process aims to enhance the overall quality of life within the community by facilitating financial transactions and investments. There are various banks operating in Indonesia, one of which is DBS Bank. DBS is Asia's leading a financial services organization operating across 19 markets, DBS is based in Singapore and focuses on three primary growth areas in Asia: Greater China, Southeast Asia, and South Asia. DBS holds credit ratings of "AA-" and "Aa1," positioning it among the top-rated institutions globally.

DBS Bank has many branches in Indonesia, one of which is Medan. Currently, due to the intense competition, customer loyalty from companies are decreasing which can be seen in the table below:

**Table 1.1**  
**DBS Bank Total Customer Period 2021 - 2023**

<b>Year</b>	<b>Total Customer</b>
2021	1.971
2022	1.826
2023	1.694

Sources: DBS Bank Imam Bonjol Branch Medan, 2024

Based on the table above it can be seen that in 2021 there is as much as 1.971 total customers, while in 2022 there is only 1.826 customers and in 2023 there is only 1.694 customers. Decreasing customer loyalty is caused by several things, such as false advertisement, bad complimentary program, lack of knowledge and didn't explain the products fully to the customers

In terms of experiential matters, experiential marketing in Bank DBS is their digibank superapp, a mobile banking application with many features. Customers can always maintain their accounts and in the digibank application, customers can see a lot of different kinds of information regarding the bonds market, the forex market, the mutual fund market, etc. However, there are also bad experiences in DBS Bank. The bad experiences experienced by customers are caused by false advertisements. This makes them not want to use the company's services again or buy its products such as DBS deposits and savings. In their marketing campaign, Bank DBS always makes sure that their technology always up to date, and Bank DBS's tagline "*Live More, Bank Less*" indicates to make banking become easier and more convenient but in reality it does not make banking process become easier and more convenient. In fact the administration process in bank DBS is very bad, such as deposits being difficult to withdraw because a lot of paperwork needs to be signed customer deposits have to undergo many administrative processes before being disbursed. In addition, customers who want to change their information list such as phone numbers, emails, and passwords need to wait for a very long time due to its administration process. Apart from waiting that long, customers need to fulfill and verify a lot of data and sign a lot of paperwork before changing their personal information and this process can take up to 2 weeks or more in order just to update their new phone numbers, emails or passwords. This makes the customers have a very bad experience regarding the administration of bank DBS. Apart from that customers also have little access to the ATMs because the ATMs of bank DBS only exist in the DBS Imam Bonjol branch. This means that customers who need

urgent cash while in a mall or any other place can't withdraw their cash because they need to come to the Bank DBS branch to do that. This makes the banking process more complicated and not the same as the advertisement

The Relationship marketing that occurs in Bank DBS is by having constant email updates regarding the news about new promotions, happy birthday messages, or any other relevant message such as notification of earning interest or cashback. However, Bank DBS is also known to not have a very good relationship marketing program to maintain customer loyalty. This things caused by the bad complimentary program. For Example, Bank DBS has a partnership with Shilin merchant and they released a promo for 100 people starting from 11 p.m. exclusive for DBS customers but when the customers want to fight for the promo and queue in just 5 minutes the program fully redeemed and expired even though only 10 people who can obtain this promo. This happened because some internal parties started this promo way before 11 p.m. and they gained early access which make this promo not credible. These things make the customers have a bad relationship with the bank. Other than that, there are program Maxi Booster which is a savings program that consists of 7% interest. The customers who are notified by this program are very happy and want to join them but to gain this maxi program, some terms and conditions need to be fulfilled which are they need to fulfill QRIS transactions by using DBS mobile banking, the customers must have credit card transaction, the customer must purchase valas products, bonds, mutual funds by using DBS mobile banking. These terms and conditions make the customer feel the program is not worthy due to the high administration fee for valas, bonds, and

mutual funds products. The administration fee of these products can't cover the interests from the maxi program therefore the customer feels that these programs are just gimmicks and not profitable for customers.

In terms of personal selling, it is known that Bank DBS always asks their employees to maintain their professionalism by always smiling and giving a warm vibes to the customer to make them feel relaxed and feel that the employee is trustworthy. Bank DBS will always train their employees before joining the company. However, employees are not very effective in carrying out personal selling activities. This was caused by employee lack of knowledge and didn't explain the products fully to the customers. For example, the employee doesn't know what type of products they are offering customers when they ask for a product comparison between deposits, bonds and mutual funds even though they received the training already. The employee can't do the calculation of the interest between deposit, bonds and mutual funds. In addition, employee always ensure customer to take mutual funds that are not good in market in the moment while they don't explain the administration fee, the purchasing fee and selling fee. They sell mutual funds in order to gain a lot of commissions. Apart from that, the employee doesn't tell the customers that mutual funds is fluctuating which make the price can increase or decrease meaning that the customer might earn money or lose money. The customer realized this after putting their money and after 1 month or 2 months they check that their money is decreasing. This make the customer furious and ask the employee but the employee will slow respond to their question or even doesn't respond to the customer.

Based on the background study, the writer is interested to conduct research with the title: **“The Effect of Experiential Marketing, Relationship Marketing and Personal Selling toward Customer Loyalty at DBS Bank Imam Bonjol Branch Medan.”**

### **1.2 Problem Limitation**

The writer will concentrate on three variables for the problem restriction, which are Experiential Marketing, Relationship Marketing, Personal Selling, and Loyalty. This thesis aims to investigate how Experiential Marketing, Relationship Marketing, Personal Selling can affect Loyalty. This research will focus on DBS Bank Product Imam Bonjol Branch Medan.

### **1.3 Problem Formulation**

Using the preceding background problem description as a guide, the following issues with this study can be identified:

1. Does Experiential Marketing have a partial effect toward customer Loyalty at DBS Bank Product Imam Bonjol Branch Medan?
2. Does Relationship Marketing have a partial effect toward customer Loyalty at DBS Bank Product Imam Bonjol Branch Medan?
3. Does Personal Selling have a partial effect toward customer Loyalty at DBS Bank Product Imam Bonjol Branch Medan?
4. Do Experiential Marketing, Relationship Marketing, and Personal Selling have a simultaneous effect toward customer Loyalty at DBS Bank Product Imam Bonjol Branch Medan?



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

The objective of the research as follow:

1. To analyze whether the Experiential Marketing has influence toward customer Loyalty at DBS Bank Product Imam Bonjol Branch Medan.
2. To analyze whether the Relationship Marketing has influence toward customer Loyalty at DBS Bank Product Imam Bonjol Branch Medan.
3. To analyze whether the Personal Selling has influence toward customer Loyalty at DBS Bank Product Imam Bonjol Branch Medan.
4. To analyze whether the Experiential Marketing, Relationship Marketing and Personal Selling has influence toward customer Loyalty at DBS Bank Product Imam Bonjol Branch Medan.

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

The benefit of the researches as follow:

1. Theoretical Benefit
  - a. For Readers

The study's findings can serve as evidence for readers to understand that Experiential Marketing, Relationship Marketing and Personal Selling having effect towards Loyalty in DBS Bank Product Imam Bonjol Branch Medan.

- b. For Writer

The study's findings offer knowledge, expertise, and insights from a real-world setting that will be extremely helpful to the writer going forward.

- c. For Other Researches

The findings of this study can serve as a reference for those who might be interested in looking into this topic more in the future.

2. Practical Benefit

a. For DBS Bank Product Imam Bonjol Branch Medan

The researcher anticipates that the study's findings will be useful for businesses to assess and use as guidance to know the effect of Experiential Marketing, Relationship Marketing and Personal Selling towards Loyalty at company.

b. For Writer

The study's findings provide the author with fresh insight and increased understanding of the significance of Experiential Marketing, Relationship Marketing and Personal Selling towards Loyalty.

c. For Future Research

The researcher anticipates that the findings of this study may be used as a benchmark by other academics who wish to investigate the influence Experiential Marketing, Relationship Marketing and Personal Selling towards Loyalty.