

CHAPTER 1

INTRODUCTION

1.1. Background of Study

Fitness center is very popular nowadays. All people from any age, from young to the elderly are attracted to this place because they can exercise comfortably and can be customized with their time. Fitness centre is becoming a necessity now because more and more people are health-conscious and willing to spend money and time for improving their health.

PT New Life Gym Medan is one service company that is engaged in fitness center business. Although it has a lot of competitors, PT New Life Gym Medan is still able to survive by performing a variety of strategies. People these days develop a healthy lifestyle by keeping their bodies healthy in fitness centres which are widely scattered in various corners of the city. This phenomenon of lifestyle is currently booming in big cities. Thus, we need a healthy lifestyle for urban communities as a solution to maintaining their body fitness. With the increasing number of fitness centres in the city of Medan, it has caused an intense competition between one fitness centre and another.

Customer loyalty is very important for company. Consumers who are loyal will always buy and use products from a company. Loyalty can occur because consumers are satisfied with the performance of the company. In addition, consumer loyalty in turn will create commitment for consumers to continue to establish long-term relationships with the company. In today's business

competition, the company must be able to provide products and services that are the best for the consumer, so consumers can get the quality provided. Consumers who have purchased products and services of the company can show that the consumer trust on the performance of the company. A company that has got the trust of the consumer should be able to maintain and improve the quality of the products and services provided to maintain trust consumers and the reputation of the company (Kotler and Keller, 2018).

The loyalty of consumers in PT New Life Gym Medan is reflected in the decrease in the number of consumers during the year 2020. It can be seen from table 1.1:

Table 1. 1 Customer Total of PT New Life Gym Medan (2020)

Month	Member
January	241
February	238
March	214
April	206
May	187
June	169
July	189
August	194
September	186
October	174
November	169
December	151

Source: Prepared by the writer (PT New Life Gym Medan, 2021)

Table 1.1 shows the decrease of the number of consumers and the number of new members. It is resulted in a decline in consumer loyalty because it does not increase in the number of new members. This is caused by the quality of service that is less than optimal and promotions that are less attractive.

Adam (2018) stated that poor service occurs at the time a consumer gets different services than others. On the contrary, it is expected to result from the

consistency is consumer loyalty. With service competition and marketing between one fitness centre and another, there are obstacles in meeting customer needs and consumer desires. Loyal customers feel an emotional bond with the company. This emotional bond is what makes customers loyal and encourages them to continue to use and purchase the company's products or services repeatedly, and to recommend to others. To increase loyalty, companies must increase the satisfaction of each customer and maintain that level of satisfaction in the long term.

Service quality has an important role, especially in forming good perceptions in the eyes of consumers. Of course, the quality of service must always be maintained and even continue to be improved to make it better. If the quality of service provided by a company is good, of course the consumer's perception of the company will be good. If the service quality feels by the customer is lower than their expectation after they purchase the services, it means they are not satisfied with the service quality given to them. After knowing the reasons that make the customer not happy, New Life Gym Medan can plan for steps to improve the factors. Based on observations made by the author for the past six months in 2020 in New Life Gym Medan members can be seen.

Table 1. 2 Total Complain of PT New Life Gym Medan (2020)

Month	Total	Complain
January	13	1. Cleanliness of toilet
February	18	2. Cleanliness of gym equipment
March	12	3. Unorganized gym equipment
April	22	4. Lack of knowledge and information on instructions and use of gym equipment
May	26	5. Slow response and feedbacks given to customer
June	16	6. Lack of experience gym instructor and personal trainer
July	27	
August	26	
September	25	

October	21	7. Not punctual in operational hour and class
November	16	8. Staff are not polite and friendly
December	29	

Source: Prepared by the writer (PT New Life Gym Medan, 2021)

The level of complaints is high resulting in a level of loyalty of consumers is low so that the member is no longer extend the member when it has a time limit. Because the level of service received is still not satisfaction.

Gym fitness centre in this business tries to implement a promotions strategy that makes consumers interested and willing to purchase the products or services offered. Abdurrahman (2018) stated that promotion is an activity that communicates the advantages of a product and persuades customers to buy the product. This definition can say that by holding promotional activities, companies can convey various information to consumers. Promotion can also help introduce consumers to something that is introduced to potential consumers to be able to choose which one they want through messages that persuade, remind, inform, and encourage consumers to buy or use the products or services offered. In carrying out promotional activities, there are various promotional tools designed to encourage an increase in sales volume. Hasan (2018) explains that loyalty can be developed through intensive promotion that is used by marketers to increase the possibility of consumers to make repeat purchases.

Table 1. 3 Promotion of PT New Life Gym Medan (2020)

Promotion Programs	Description
Discount	1. The granting of discounts, member only 5-10% 2. Some of the pieces the price is adjusted by the event
Advertising	1. Ads often use the social media in the form of instagram to promote New Life Gym in their activities. 2. Brochure
Sales Promotion	Gifts

Source: Prepared by the writer (PT New Life Gym Medan, 2021)

The promotion PT New Life Gym Medan is still considered less attractive to consumers. In practice PT New Life Gym Medan give a discount to consumers, free training session, more complete for the consumer. This promotion is often applied to attract new customers and ensure the consumer is committed. The lack of take advantage of the promotion on social media such as share daily activities and videos intricate that can introduce new gym life on the consumer.

Based on the phenomena described above, the authors are interested in conducting research by taking the title **“The Influence of Service Quality and Promotions on Customer Loyalty”**.

1.2. Problem Limitation

Problem limitation is used so that the discussion in this thesis report not too widespread, therefore it is necessary to limit the problem. As for the limitations of the problem raised are as follow only analyses three variables consisting of two independent variables, namely, Service Quality and Promotions, and one dependent variable which is Customer Loyalty. This research only limit to New Life Gym that is in Lippo Plaza Medan.

According to Tjiptono (2018), there are indicators, including reliability, assurance and empathy. Moreover, promotional activities are indeed very important in the company for the sake of achieve the targets set by each company. With there are promotional monetary promotions and non-monetary promotions. Hurriyati (2017) stated a customer can be considered loyal if customers make repeat orders regularly, purchase across product and service line, mouth to mouth

references and customers are not easily influenced by other competitors to switching to competitor.

1.3. Problem Formulation

Based on the background of the study, there are several problem formulations which are:

1. Does Service Quality have influence towards Customer Loyalty at New Life Gym Medan?
2. Does Promotions have influence towards Customer Loyalty at New Life Gym Medan?
3. Do Service Quality and Promotions simultaneously have significant influence on customer loyalty at PT New Life Gym Medan?

1.4. Objective of the Research

The purposes of conducting this research:

1. To analyse the influence of service quality on customer loyalty at PT New Life Gym Medan
2. To analyse the influence of promotions on customer loyalty at PT New Life Gym Medan
3. To analyse Service Quality and Promotions simultaneously have significant influence on customer loyalty at PT New Life Gym Medan

1.5. Benefit of Research

There are two types of benefits from research of customer purchase decision as a factor of Service Quality and Promotions toward Customer loyalty at New Life Gym Medan. The benefits of conducting this research are as follows:

1.5.1 Theoretical Benefit

This research is expected to give a benefit to the company about how the effect of service quality and promotions performance affect the customer loyalty and this research will have contribution in developing the theory and improve the theory of service quality and promotions on the customer loyalty in the business. This will also benefit to the founding for stakeholders in business, such as marketers, managers, entrepreneurs, and owners understand better and gain insights about how the variables will influence each other's.

1.5.2 Practical Benefit

It will provide benefits to the practical side. This research will be able to serve as a help for many stakeholders, such as the writer, the company, and other researchers as well.

1. For company

To be used as the object of research, used as material for information and input, regarding service quality and promotions towards customer loyalty given to customers, so that it can be taken into consideration by the company in improving the quality of good service and types of promotions that give to customers.

2. For writer

To gain knowledge on Service quality and type of promotions effects on customer loyalty. This could boost and add more information and studies on Marketing study program.

3. For researchers

To be used as references, basis and additional information for other researcher that are interested in doing the research.

