

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The Covid-19 pandemic has disrupted almost all existing business sectors. The social restrictions imposed have reduced business activities due to the social restrictions imposed by the government. In addition, the decline in consumer buying interest also makes it difficult for companies to carry out their business activities. The company's success in improving business performance is to improve employee performance. In today's business conditions, it is quite difficult to develop the company's operations and performance.

The company's ability to adapt is very necessary to the current pandemic conditions. Companies that are able to survive the pandemic will be able to develop well and be able to increase business activities in the future. The company's ability to develop strategies to maintain customer satisfaction and loyalty will be the company's priority.

To maintain and run a business, companies must be able to win the competition in gaining the trust of customers. The development of the business world in the digital era that runs rapidly, this condition makes companies create increasingly fierce and fierce competition. Therefore, companies are required to be able to satisfy customers by making quality products in accordance with consumer desires. Not a few companies are vying to be able to increase their market share, so

this motivates companies to work hard to keep moving forward in improving their business.

Customer loyalty is a form of customer loyalty to use products or services continuously because they have high satisfaction with a product. According to Agustin and Singh (2005) in Tabrani (2018) describe that loyalty intentions are indicated by an inclination to perform and to enhance an ongoing relationship with the service provider, including repeat buying and greater share of wallet.

Customer satisfaction is the feeling that customers give after using the product and against expectations. Customer satisfaction leads to feelings of pleasure or disappointment from someone who appears after comparing products or services from what they think to what they expect. According to Razak and Triatmanto (2016), customer satisfaction is feedback in the form of evaluation after purchasing goods or service compared with customer expectations. Customer satisfaction is measured by using the customer experience with the performance of the good or services that can meet the needs and desires of the customers.

Promotion is one of the activities carried out to introduce products to customers. According to Jannah (2019), promotion is a communication activity carried out by a person or a company with the wider community, where the aim is to introduce something (goods, services, brands, companies) to the community and at the same time influence the wider community to buy and use the product.

Service quality is an act of service provided by the company to customers to increase customer satisfaction. According to Ali et al (2021), service quality in the service industry could be defined as a tendency to focus on the requirements of

customers and their trust and expectations about the products. And due to that, any market or business area need to focus on the factors affecting customer attention.

PT. Khoe Sumatra Berjaya Group is a family company engaged in the business of selling auto parts. In running its business, the company always focuses on customer loyalty. On the issue of consumer loyalty that exists today, the number of consumers in the company has decreased due to the decrease in the amount of income in the company at this time. The following is the company's revenue data from 2019 to 2021.

In this research, the object of the study was at PT Khoe Sumatra Berjaya Group by examining customers who bought products from the company. The sales that exist at this time have decreased and show a decrease in customer loyalty.

Table 1. 1 Customers Amount at PT. Khoe Sumatra Berjaya Group 2019-2021

Year	2019	2020	2021
January	25	18	19
February	26	20	20
March	23	26	16
April	22	28	20
May	20	15	18
June	26	18	18
July	29	25	20
September	31	26	19
October	28	23	18
November	28	24	18
December	26	20	20
Total	284	243	206

Source: PT. Khoe Sumatra Berjaya Group (2021)

From the data on the number of consumers, it shows a decrease in the number of consumers from 2019 to 2021. This indicates a decrease in consumer loyalty in the company.

The promotion carried out at PT Khoe Sumatra Berjaya Group has not run effectively because it only targets new customers, while the quality of service in the

company is not optimal because at this time the company is still receiving service complaints because employees do not work optimally in providing services to customers.

Table 1.2 Total Revenue at PT. Khoe Sumatra Berjaya Group 2019-2021

Year	2019	2020	2021
January	581,600,000	561,600,000	451,600,000
February	570,070,000	570,070,000	430,070,000
March	595,650,000	525,650,000	425,650,000
April	621,210,000	521,210,000	521,210,000
May	572,120,000	542,420,000	422,420,000
June	586,230,000	576,230,000	536,230,000
July	589,900,000	589,900,000	575,230,000
September	608,000,000	604,630,000	704,230,000
October	649,000,000	649,900,000	763,200,000
November	688,533,000	688,533,000	765,235,000
December	647,860,000	647,860,000	759,860,000
Total	7,457,666,000	7,225,636,000	7,218,568,000

Source: PT. Khoe Sumatra Berjaya Group (2021)

From revenue data at PT. Khoe Sumatra Berjaya Group during 2019 to 2021, it shows that the revenue achieved by the company is experiencing a downward trend. This shows that there is a decrease in customer loyalty in the company.

Customer loyalty will be formed from customer satisfaction. Satisfied consumers will return to buy products sold by the company. It is important for companies to maintain customer satisfaction as part of the company's efforts to keep customers buying products from the company. On customer satisfaction issues, there are still complaints from customers that occur every month because of problems with less-than-optimal service to customers. The following is data on complaints submitted by customers at PT. Khoe Sumatra Berjaya Group.

Table 1. 3 Complaint Data at PT. Khoe Sumatra Berjaya Group 2019-2021

Year	Complaints Amount			Complaints Problems
	2019	2020	2021	
January	5	5	6	1. Employees who are not friendly to customers 2. Employees are less responsive when providing services to customers. 3. Prices judged by customers are still more expensive than other competitors 4. The price offered is not in accordance with the quality desired by the customers. 5. There is damage to spare parts purchased by customers 6. Long-processed product warranty claims
February	6	5	6	
March	5	4	5	
April	4	6	2	
May	2	5	4	
June	2	4	2	
July	3	2	3	
September	5	3	4	
October	4	4	2	
November	4	4	3	
December	4	3	4	
Total	44	45	48	

Source: PT. Khoe Sumatra Berjaya Group (2021)

In customer complaint data shown above, it shows that every year still have customer complaints. Although from the complaint data it seems that it has increased from 44 complaints initially to 48 complaints in 2021, there are still some complaints from the customers. Hence, it affects to the company sales. It is important for the company to aware with the problems that they had.

In the current promotion, it still has a problem, namely the promotion that is being carried out does not have a regular schedule in conducting promotions. Facing constantly evolving competition, companies are required to be able to adapt their business and maintain progress in the business world to survive and thrive so that consumers will be able to differentiate their products when compared to products from other companies. To be able to carry out all that, the company must determine the right and directed promotions in placing their products in the minds of consumers the following are promotional activities in the company.

Table 1. 4 Promotion Activity of PT. Khoe Sumatra Berjaya Group

Type of activity	Promotion media	Promotion Quantity	Promotion Time	Promotion Goal
Personal Selling by giving 5% promo for new customers	Salesman direct offer to customers	One time for each customer	Once a year	Increase the number of customers
Gift parcels to customers	Giving Parcel	1 parcel for each customer	Once a year	Maintain good relationship with customers
0% credit card installment promo for new customers	Banner and Instagram	To purchase spare parts at least 2 million	Within 1 year	Added customer payment facility

Source: PT. Khoe Sumatra Berjaya Group (2021)

The current promotions are carried out through direct offers, parcel giving, banners and Instagram. This promotion is only for new customers who buy the product for the first time within 1 year. In addition, the instalment payment promotion only applies to new customers. The promotions that have been carried out have not been maximized and only prioritize new customers over old customers, making the promotion not run effectively and as expected.

On the quality of service in the company currently, the company does not yet have good service in serving customers. The service that is still not good can be seen from the complaints that still occur in the company. In general, complaints are filed because of employee services that are considered not according to the expectations of customers in providing services. Complaints that are still happening show that the services currently running still need improvement.

Based on this discussion, the writer decides to conduct research entitled **“The Influence of Promotion And Service Quality Towards Customer Satisfaction And Customer Loyalty at PT. Khoe Sumatra Berjaya Group”**

1.2 Problem Limitation

In this study, the writer will limit problems for promotion, service quality, customer satisfaction and customer loyalty at PT. Khoe Sumatra Berjaya Group as an automotive parts company as the main problem of this study. Problem limitations are promotion (X1) and service quality (X2), as the independent variable and customer satisfaction (Y1) customer loyalty (Y2) as the dependent variable.

Indicator for promotion is from Kotler and Keller (2012) in Kartini et al (2021), which is about: promotion frequency, promotion quality, promotion quantity, promotion time and promotion target.

Indicators for service quality are from Tjiptono and Chandra (2018), which include reliability, responsiveness, assurance, empathy, tangible.

Indicators for customer satisfaction are from Simamora and Realize (2020), which include overall customer satisfaction, confirmation of expectations, repurchase intention, availability for recommendations and customer dissatisfaction.

Indicators for customer loyalty are from Novianti et al (2018), which include there are repeat purchases, purchases with more quantity, there is a more frequent frequency of visits, providing recommendations to others, showing the resilience of competitors.

1.3 Problem Formulation

Based on the background of the study, the question to be answered in this research are as follows:

- a. How is the promotion offered by PT. Khoe Sumatra Berjaya Group?
- b. How is the service quality at PT. Khoe Sumatra Berjaya Group?

- c. How is the customer satisfaction at PT. Khoe Sumatra Berjaya Group?
- d. How is the customer loyalty at PT. Khoe Sumatra Berjaya Group?
- e. Does promotion have partial effect on customer satisfaction and customer loyalty at PT. Khoe Sumatra Berjaya Group?
- f. Does service quality have partial effect on customer satisfaction and customer loyalty at PT. Khoe Sumatra Berjaya Group?
- g. Do promotion and service quality have simultaneous effect on customer satisfaction and customer loyalty at PT. Khoe Sumatra Berjaya Group?

1.4 Objective of The Research

The purposes in doing this research are as follows:

- a. To describe promotion offered by PT. Khoe Sumatra Berjaya Group.
- b. To assess service quality provided by PT. Khoe Sumatra Berjaya Group.
- c. To evaluate customer satisfaction at PT. Khoe Sumatra Berjaya Group.
- d. To evaluate customer loyalty at PT. Khoe Sumatra Berjaya Group.
- e. To analyze whether promotion have partial effect on customer satisfaction and customer loyalty at PT. Khoe Sumatra Berjaya Group.
- f. To determine whether service quality have partial effect customer satisfaction and customer loyalty at PT. Khoe Sumatra Berjaya Group.
- g. To investigate whether promotion and service quality have simultaneous effect on customer satisfaction and customer loyalty at PT. Khoe Sumatra Berjaya Group.

1.5 Benefit of The Research

Benefits of this research can be listed as follow:

1.5.1 Theoretical Benefit

The results of this research are expected to contribute to the existing theories relevant with promotion, service quality, customer satisfaction and customer loyalty.

1.5.2 Practical Benefit

The practical benefit of this research as follow:

- a. For writer, the result of this research is expected to contribute to the exciting theories relevant with promotion, service quality, customer satisfaction and customer loyalty.
 - b. For PT. Khoe Sumatra Berjaya Group, this research as information about whether the survey that has been made will be useful to improve the company's performance.
 - c. For another researcher, to be a guide in leading the researcher to do other research.
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