

CHAPTER I

INTRODUCTION

1.1. Background of the Study

The tendency from the growth of human population has created more consumption. As people are human being, consumption is part of their life. Consumption here is not only talking about food but it talks more about how people try to fulfill their expectation from their need. With the tendency of the population that keeps growing over time, it is actually an opportunity for every company to attract them with any good marketing strategy (Kearney, 2020).

The key for the company to maintain and survive in industry comes from the number of the customers that it has. Customers play an important role because the existence of customers generate income for the company. With the income flow from the customers company may still continue its business and even has the possibility to grow bigger. Company has to maintain the number of customers in order to survive and grow (Ramanta, 2021).

To make sure company maintains the number of the customer existing while on the other hand adding more customers in hand, company needs one thing that customers need to have for the reason why they need to choose this company product or service purchase, that is the trust from the customers. Trust is a positive belief from the external towards the company. With trust, the hesitation from the potential and even the existing customers to the company can be eliminated (Suryantini, 2023).

Customer trust relationship reflects all the knowledge owned by consumers and all conclusions made about consumer objects, attributes and their benefits. Belief in objects, attributes, and benefits show customer perception of a service business, especially laundry services and therefore generally the trust of a customer is certainly different from other customers of a service, where the trust that arises increasingly high, the higher the customer loyalty (Supertini, 2020).

The building and maintaining a reputation are not easy for a company. Reputation is not only about like it or not, but about the representation of individual perceptions or society today based on his experience in the past against the company. Evaluation obtained will be compared with other companies and will affect the sustainability of the company in future. There are many ways that can be done to do reputation management is one of them by creating a strategy. Reputation being good or bad, Strong or weak depends on the quality of thought strategy, and management commitment to achieve goals set, and the skills and energy with all components programs that will be realized and communicated to customers (Afridita, 2022).

PT Pratama Diesel Niaga Sentosa, Medan is a company that conduct its business in the field of selling heavy equipment spare part. PT Pratama Diesel Niaga Sentosa, Medan distributes its product to the end user as well as retailers.



Figure 1. 1 Spare parts at PT Pratama Diesel Niaga Sentosa, Medan

Sources: Prepared by the Writer (PT Pratama Diesel Niaga Sentosa, Medan, 2023)

Based on the interview that there is a decrease in customer loyalty. This can be seen from the sales data which can be seen in the table below.

Table 1. 1 Sales Data of at PT Pratama Diesel Niaga Sentosa, Medan (2022-July 2023)

Month	2022 (Rp)	2023 (Rp)
January	89.215.050	77.535.250
February	81.113.500	71.563.050
March	84.167.430	78.923.350
April	80.484.500	66.941.500
May	79.662.120	77.256.240
June	81.728.340	73.053.530
July	83.158.020	72.129.500
August	77.517.350	-
September	79.180.500	-
October	82.128.050	-
November	86.561.350	-
December	82.393.500	-
Total	987.309.710	517.402.420

Sources: Prepared by the Writer (PT Pratama Diesel Niaga Sentosa, Medan, 2023)

Table 1.1 from the above data it can be concluded that the decline in sales of Kobelco, Hitachi, Komatsu, Sumitomo, Caterpillar, SDLG and Volvo brand

spare parts in PT Pratama Diesel Niaga Sentosa, Medan so that means a decrease in customer loyalty. In 2022 the highest sales occurred in January 2022 then the lowest occurred in August while in 2023 the highest occurred in March and then the lowest occurred in April 2023.

In addition, the decline in customer loyalty is also seen from the number of business fluctuating which can be seen in Table 1.2.

Table 1. 2 Number of Business at PT Pratama Diesel Niaga Sentosa, Medan (2022-July 2023)

Month	2022	2023
January	154	134
February	143	113
March	131	128
April	142	126
May	124	135
June	114	131
July	98	129
August	97	-
September	102	-
October	95	-
November	106	-
December	126	-

Sources: Prepared by the Writer (PT Pratama Diesel Niaga Sentosa, Medan, 2023)

Table 1.2 shows that the number in 2022 was 154 customers and at the end of July the number of customers who transacted was 129 customers. The number of purchase transactions made by customers fluctuates. Customer in this study is wholesaler.

Customer trust in products has declined, resulting in a decline in sales. Some phenomena related to trust can be seen in Table 1.3 below.

Table 1.3 Data Phenomenon of Trust at PT Pratama Diesel Niaga Sentosa, Medan

Indicator	Description
Integrity	Poorly maintained employee integrity can be seen from the frequent distribution of products that are not in accordance with orders (product codes do not match)
Competence	Poor employee knowledge so that the information submitted is incomplete.
Consistency	If there is a problem of defects, and damage, the completion of the company becomes less quickly due to employees who lack knowledge and experience that is still minimal.
Openness	Based on the interviews conducted, it was found that customers felt satisfaction with the disclosure of information about the benefits and shortcomings of the product, the staff served quickly and responsively if they needed information related to the product they wanted to buy, arranged product return directions and provided clearly so that customers were helped.

Sources: Prepared by the Writer (PT Pratama Diesel Niaga Sentosa, Medan, 2023)

Table 1.3 shows that 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.

As PT Pratama Diesel Niaga Sentosa, Medan, has done its business more than 10 years in the sale of heavy equipment spare part, the company is well known by the customers. The PT Pratama Diesel Niaga Sentosa, Medan less positive reputation is due to several things. In this study, to obtain information related to the reputation of the company, researchers interviewed as many as 10 customers with a long subscription >6 years so as to better know the shortcomings and advantages of companies and products. This can be seen from the reputational phenomenon in the table below.

Table 1.4 Data Phenomenon of Reputation at PT Pratama Diesel Niaga Sentosa, Medan

Indicator	Description
Customer orientation	Based on interviews conducted to marketing staff that many customers complain because the company does not pay much attention to customer satisfaction, especially with regard to distribution systems that disappoint many customers
Reliable Company	Service from employees is still less than optimal and satisfying customers, such as incomplete and sometimes inappropriate promotional program information.
Product and Service Quality	The decline in product quality is associated with customers receiving parts that are less in line with those informed with regard to durability.

Sources: Prepared by the Writer (PT Pratama Diesel Niaga Sentosa, Medan, 2023)

Table 1.4 shows that the phenomenon of reputation at PT Pratama Diesel Niaga Sentosa, Medan related to customer orientation towards satisfaction that is less well implemented, employee service that is less satisfying to customers, product quality continues to decline so that customers receive defective and damaged products and corporate responsibility for the environment around the company is less done. This triggers a negative reputation of the company so that ultimately decreases customer loyalty.

The writer relates the decrease of the customer loyalty might relate or is suspected to the lack of customers trust and the decrease in reputation, therefore the writer is interested to form a research with the title **“The Influence of Customer Trust and Reputation on Customer Loyalty at PT Pratama Diesel Niaga Sentosa, Medan.”**

1.2. Problem Limitation

Due to the limited of time and fund, this research is conducted by focusing only to three variables. Those variables are customer trust and reputation as independent variables and customer loyalty as dependent variable. Location of the

research is located at PT Pratama Diesel Niaga Sentosa, Medan. Customer in this study is wholesaler.

Indicator of trust is integrity, competence, consistency and openness (Robbins, 2020). According to Walsh, et al (2019), indicator of reputation is customer orientation, reliable company, product and service quality. Indicator of customer loyalty are repeat purchase, retention, referral, product recommendations to others and have a strong belief in the product (Kotler and Keller, 2020)

1.3. Problem Formulation

The problem formulations on this research are:

- a. Does customer trust have partial influence on customer loyalty at PT Pratama Diesel Niaga Sentosa, Medan?
- b. Does reputation have partial influence on customer loyalty at PT Pratama Diesel Niaga Sentosa, Medan?
- c. Do customer trust and reputation have simultaneous influence on customer loyalty at PT Pratama Diesel Niaga Sentosa, Medan?

1.4. Objective of the Research

This research has the objectives as follow:

- a. To analyze whether customer trust has partial influence on customer loyalty at PT Pratama Diesel Niaga Sentosa, Medan.
- b. To describe whether reputation has partial influence on customer loyalty at PT Pratama Diesel Niaga Sentosa, Medan.

- c. To investigate whether customer trust and reputation have simultaneous influence on customer loyalty at PT Pratama Diesel Niaga Sentosa, Medan.

1.5. Benefits of the Research

1.5.1. Theoretical Benefit

The result of this research are expected to contribute on development of existing theories that are relevant with the customer trust, reputation, and the influence on the customer loyalty.

1.5.2. Practical Benefit

Here are some benefits that are practical:

- a. For the Writer

This research will provide advantage for the writer to have deeper understanding in the subject of variable customer trust, reputation and customer loyalty.

- b. For the Company

This research provides advantage to PT Pratama Diesel Niaga Sentosa, Medan to know and find out about its customer trust, reputation and customer loyalty. Other than that. It is also providing the advantage to PT Pratama Diesel Niaga Sentosa, Medan in form of suggestions so the company could form a better strategy to increase its customer trust, reputation and customer loyalty.

c. For the other researcher

The research benefits the other researcher as source of reference about the studies regarding its variables of customer trust, reputation and customer loyalty.

