

CHAPTER I

INTRODUCTION

1.1. Background

There are interesting factors to study the unlimited human needs. In the era which is full of developments in all fields is the basis for solving various problems on fulfillment of human needs that occurred. Real conditions that occur in society with global provisions are to help companies to function and control the market. Global competition appoints each company to be able to improve the quality of products and services that will benefit customers' satisfaction in order to realize customer retention. Companies that are capable to provide better products and services will be able to gain the market or even dominate the market (Palilati, 2004).

A strategy that can be applied to maintain consumers have relationship marketing program (Pradnya et al, 2016). Marketing relationships strategy aim to be able to build good and sustainable relationships. The main focus of this is relations and customers. In essence, the main goal of a company is to create and maintain customers. But ironically, many companies are more concerned with new customers than retaining existing customers (Widyastuti and Wahyuati, 2014). Long relationships with customers are very new. A high level of satisfaction does not guarantee customers loyalty. One study found that customers moved from leave the so called "satisfied" or "very satisfied" to the previous service provider (Hoffman & Bateson, 1997). The factors that caused them to move from one to another are for a review of looking for other variations,

curiosity, the need for changes in overcoming boredom towards a brand, or avoiding saturation of certain attributes (Zulkifli, 2012) to increase customer retention rates, it is wrong to reduce customer defections. Increasing relationships with customers is carried out through delivering information in a way that is as needed by each individual (McIlroy & Barnett, 2000).

A company is considered to be able to grow if the company has a number of customers that continues to grow every time. However, a company must think about long-term prospects in building relationships with customers, this aims to retain customers and how to make customers continue to buy the products offered. Customer retention is a strategy to increase the customer value base, including reducing the level of customer turnover and increasing customer retention (Kotler & Keller, 2009). Berry in Kandampully and Duddy (1999) stated that the success of a company depends on its ability to retain customers (customer retention). Customer retention is more than new customers (Rangkuti, 2000). It is the formation of customer retention can occur with a relationship in the company from the use of customer relationship marketing programs and service quality.

There are several ways for a company to be able to attract and retain new customers, not only related to the product or service, but deeply related to the way it serves existing customers and the reputation it can create in and in the market. Retaining customers is considered more economical than acquiring new customers, and customer experience management is the most effective way to drive customer satisfaction, customer retention and customer loyalty. Not only do loyal customers guarantee sales, but also they are more likely to purchase

additional, high-margin products and services. Loyal customers are able to reduce costs related to customer education and marketing, especially when they become promoters of an organization (Rao & Shekhar, 2016).

According to Hardjati & Amalia (2014) Retaining existing customers is easier, because companies do not need readjustment, save more costs and time than finding new customers who have to build new relationships, new trust and also require a lot of expenses such as for promotion. Developing good long-term relationships is perceived to have better value and is considered a more effective method for company growth. Increasing the level of customer retention will automatically increase the number of customers owned by an organization. In addition, increasing the level of retention will increase loyalty in the hearts of customers. The higher the customer retention rate, the bigger the positive impact.

Customer retention is being influenced by direct operation other than by customer relationship marketing and service quality (Zulkifli, 2012). It also influences the relationship though customer satisfaction towards the process of customer marketing and the quality of service (Novianti, 2012). According to Hadi et al (2011) relationship marketing with good relationship quality contributes to the company retaining customers. Then, by utilizing information carried out by improving the system of continuous delivery of objects.

Customer satisfaction will greatly affect customer retention. According to Hadi et al. (2011) relationship marketing with good relationship quality contributes to the company retaining customers. Then, by utilizing information carried out by improving the system of continuous delivery of objects.

Previous research conducted by Ogechukwu et al (2013) stated that the Nigerian manufacturer must establish information system facilities and activities such as marketing research to identify, on a continuous basis, customer needs and wants, facilities for handling customer complaints. All company staff interact with customers and measurement and review mechanism to ensure that results are in tune with set objectives and targets whose major aim is the achievement of customer satisfaction internal marketing and external marketing.

Marketing mix consistency must not only be an achievable objectives, it must also be achieved to avoid any dissonance among marketing elements. As for external marketing, marketers should pay adequate attention to customer needs in designing, pricing, distributing, creating physical evidences, processing and promoting their products, which must be augmented with high quality services. Easy access to the CEO, top management, and workers by customers, high-quality and reliable product delivery systems, good customer relations, and dynamic and high-quality services to customers recommended by Nigerian manufacturers (to avoid high failure rates between SMEs) must practice the relationship marketing concept's guiding principles to ensure customer satisfaction and a good path to success, as well as for customer loyalty (Ogechukwu et al, 2013).

CV Vapor City Semarang is one of the companies that engaged in marketing services and retail. CV Vapor City Semarang is located at Graha Padma Boulevard B5 Number 6, Semarang. There are problems in CV Vapor City regarding to Relationship Marketing Relations and Customer Satisfaction. Currently member cards are very influential on the marketing of a business,

because with a member card customers can get the price potential to buy a product. So this research will analyze the effect of customer relationship marketing program on customer retention with customer satisfaction as mediating variable in CV Vapor City Semarang.

Membership cards are subscription cards that are generally issued by retail companies to attract the loyalty of loyal customers. Having loyal customers certainly promises a big advantage for your company. The reason is, you can be sure that loyal customers will not turn away even though there are many tempting offers from competing companies. Conversely, customers without a membership card will only make purchases if there is a low price. Customers who have a membership card will more easily remember the services they have received from the company. If there are similar products offered by other companies, customers who have joined as members will always compare these products with what has been provided.

One of the strategies carried out by CV Vapor City to maintain customer satisfaction is through member cards, but there are still some obstacles encountered such as increasing the number. Seen from Figure 1.1. It is known that complaints on CV. Vapor City over the last 6 months has improved. This is due to the quality of service from employees of CV. Steam City that doesn't satisfy customers. Complaints that are often received are orders that are always on the waiting list and unfriendly service. So this will be an important problem and an interesting phenomenon to analyze.

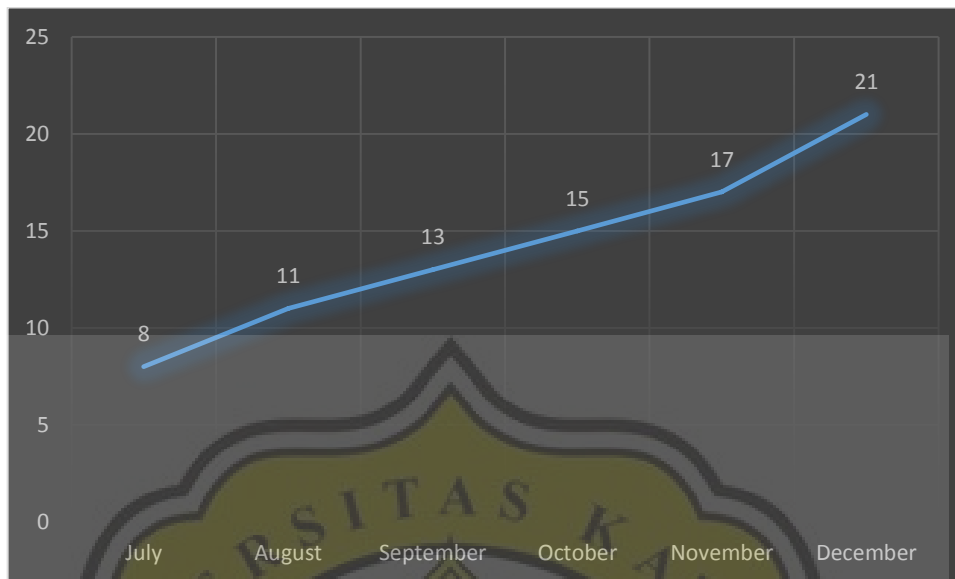


Figure 1.1. Complaint Data July - December 2021

Research conducted by Nafiah (2018) also found that customer satisfaction and customer trust have a positive effect on customer retention. This research shows the importance of customer satisfaction and customer trust to customer retention.

Based on the description above, this research is titled **“ANALYSIS OF THE EFFECT OF CUSTOMER RELATIONSHIP MARKETING PROGRAM ON CUSTOMER RETENTION WITH CUSTOMER SATISFACTION AS MEDIATING VARIABLE IN CV VAPOR CITY SEMARANG”**.

1.2. Research Problem

From the problems described above, research questions arise, as follows:

- a. How is the influence of Customer Relationship Marketing Program effect on Customer Satisfaction?

- b. How is the influence of Customer Satisfaction effect on Customer Retention?
- c. How can Customer Satisfaction mediate the influence of the Customer Relationship Marketing Program on Customer Retention?

1.3. Research Purposes

The purpose of this study is:

- a. To analyze the influence of Customer Relationship Marketing Program effect on Customer Satisfaction.
- b. To analyze the influence of Customer Satisfaction effect on Customer Retention.
- c. To analyze can Customer Satisfaction mediate the influence of the Customer Relationship Marketing Program on Customer Retention.

1.4. Benefits of the Research

The results of this study are expected to make some benefits as follows:

- a. Practical benefits

This research is useful as input and information for CV Vapor City Semarang in creating Customer Relationship Marketing Program to increase Customer Satisfaction and Customer Retention.

- b. Theoretical Benefits

This research can be a reference for research with similar topics in the future.