

CHAPTER I

INTRODUCTION

1.1 Background Review

The concept of conventional marketing, as many writers try to define, can be explained in various ways. It was first defined in 1948 by the American Marketing Association (AMA), United States, as "the performance of business activities directed at, and incidentally, the flow of goods and services from producers to consumers or users" (Kotler and Armstrong, 2013). In 1985, the AMA changed this definition and defined the marketing concept as "the process of planning and implementing the conception, price, promotion, and distribution of ideas, goods, and services to create exchanges that meet individual and organizational goals"

The marketing mix is a product strategy, distribution, promotion and pricing to produce and exchange and reach the target market. "Marketing mix - interrelated actions and solutions to meet consumer needs and to achieve the company's marketing objectives, as a whole" (Sereikienė-Abromaitytė (2013)).

According to Stanton in Tambajong (2013: 1293), marketing is a system of business activities designed to plan, determine prices, promote and distribute products that can satisfy the desire to achieve company goals. According to Dayle in Sudaryono (2016: 41), marketing is a management process that seeks to maximize earnings (returns) for shareholders by establishing relationships with valuable customers and creating competitive advantages. According to Melydrum in Sudaryono (2016: 41), marketing is a business process that seeks to align the organization's human, financial and physical resources with the needs and desires of customers in the context of competitive strategies.

According to Kotler and Armstrong Marketing Mix is a marketing strategy that is carried out simultaneously in applying strategic elements in the marketing mix itself. They must also act more practically by using desirable distribution methods and providing good services, using informational advertisements, identifying opportunities and using them to attract more resources. In addition, they must strive to increase market share and customers through creativity and innovation and to match resources with customer needs (Nazari, 2011). The marketing mix element is a control tool in the hands of organizations that leads to customer satisfaction (Shankar & Chin, 2011). A clear understanding of the elements of the marketing mix by service providers will have an influence on potential and current customers, turning them into loyal customers, and helping them continue their business life (Wahab et al., 2016).

According to Kotler (2011), marketing mix is a strategy developed systematically through tactical marketing, pricing, location and promotion (4P). Product, price, place, and promotion are factors that cause a business to succeed or fail (Nuseir and Madanat 2015). The company integrates these four variables to produce the desired response in the targeted market. Therefore, this research was conducted with the main objective to investigate the impact of the marketing mix on customer satisfaction with the Plastic Industry in Surabaya to achieve customer loyalty.

According to The Indonesian Olefin & Plastic Industry Association (Inaplas) concerned that the ban on the use of plastic bags will make the domestic industry close. The next impact is opening the gap of imported plastic bags into Indonesia. Inaplas Deputy Chairman Suhat Miyarso said the plastic shopping bag industry had been developing for quite a long time. Currently the industry is dominated by Small and Medium Industries (SMEs) with a number of workers ranging from 5 to 200 people per company. While the total employees of all factories or plastic bag companies reach 25 thousand people. This industry will be directly affected by the ban on the use of plastic

bags so that it will reduce industry performance and result in Termination of Employment (FLE). "With the prohibition of using plastic bags, it is feared that this could create unemployment", Suhat said, in Jakarta, Tuesday (December 11, 2018).

Head of the Olefin Division of the Indonesian Olefin, Aromatic and Plastic Industry Association (Inaplas) Edi Rifai said, the production of plastic bags in the first quarter of 2019 decreased 20% compared to the same period last year (year on year / yoy). The decline occurred after several regions banned the use of plastic. "From (information) plastic bag industry friends, there is a 20% decline in production due to the existing ban," Edi said in Jakarta, Thursday (August 8, 2019).

The Deputy Chairperson of the Indonesian Retail Business Association (Aprindo), Tutum Rahanta said that the impact caused by the regulation on the prohibition of plastic bags is actually not only for the producers but for consumers who are inconvenienced, not only from retailers. If retailers easily say they are not given a plastic bag, but this must be seen also the readiness of consumers. Are they ready if they have to carry so many items without a plastic bag? This makes it difficult for consumers (February 24, 2019).

Customer Loyalty cannot be isolated from marketing mix in Product/Service Sector. The Evaluation of Customer Satisfaction and its impacts on Customer Loyalty may help on increasing market share of Plastic Industry in Surabaya. Despite the considerable progress of previous research in explaining the Impact between Customer Loyalty and marketing mix, this study adds further insight to understand the link between them. Marketing Mix is considered for 4Ps (Product , Price, Place, Promotion). The Dimension of Customer Loyalty are identified and evaluated through questionnaire. The 4ps are also Identified and evaluated through the primary data collection which adds alternative values in the area of research. This study may be a bridge for the knowledge gap between Customer satisfaction on Marketing mix and its impacts on customer loyalty.

1.2 Significant of the Study

➤ Academic Significance

The results of this study can be used as material and input for further research in analyzing or observing marketing management, especially the 4Ps marketing mix in plastic bag companies for a better future for companies in marketing mix studies.

➤ Practical Significance

The results of this research for the company itself can be used as feedback to improve the marketing mix, as well as to let the Plastic Bag Company handle the crisis in the future. The present study enlightening on marketing mix and importance of customer loyalty through implementing 4Ps.

1.3 Research Question

Based on the background explained previously, problem statement is formulated as follows :

1. Does Product Quality give positive impact to Customer Loyalty ?
2. Does Pricing Strategy give positive impact to Customer Loyalty ?
3. Does Placement Strategy give positive impact to Customer Loyalty ?
4. Does Promotion Strategy give positive impact to Customer Loyalty ?
5. Does Customer Satisfaction Mediate Product Quality and Customer Loyalty ?
6. Does Customer Satisfaction Mediate Pricing Strategy and Customer Loyalty ?
7. Does Customer Satisfaction Mediate Placement Strategy and Customer Loyalty ?
8. Does Customer Satisfaction Mediate Promotion Strategy and Customer Loyalty ?
9. Does Customer Satisfaction give an Impact to Customer Loyalty ?

1.4 Objective of Study

Based on the background and problem statements explained previously, the objective of the study is formulated as follows:

1. To analyze the impact of Product Quality to Customer Loyalty
2. To analyze the impact of Pricing Strategy to Customer Loyalty
3. To analyze the impact of Placement Strategy to Customer Loyalty
4. To analyze the impact of Promotion Strategy to Customer Loyalty
5. To analyze the mediating impact of Customer Satisfaction on the relationship between Product Quality and Customer Loyalty
6. To analyze the mediating impact of Customer Satisfaction on the relationship between Pricing Strategy and Customer Loyalty
7. To analyze the mediating impact of Customer Satisfaction on the relationship between Placement Strategy and Customer Loyalty
8. To analyze the mediating impact of Customer Satisfaction on the relationship between Promotion Strategy and Customer Loyalty
9. To Analyze the Impact of Customer Satisfaction to Customer Loyalty

1.5 Systematic Thesis Writing

This thesis consists of 5 chapters to clarify the reading of research results, as follows:

CHAPTER 1: INTRODUCTION

This introductory chapter discusses the background of the problems that occur in the object of research related to the problems that arise. The formulation of the problem that occurs in the object of research is about the effect of government regulations on customer satisfaction of plastic bag users, as well as customer loyalty to plastic bag users. The purpose of this study is to minimize losses incurred in plastic bag companies, as well as maintain customer satisfaction and customer loyalty to the use of plastic bags.

CHAPTER 2: LITERATURE REVIEW

Chapter 2 contains theories that will be used by researchers which consists of the Definition of Marketing Mix, Product, Price, Place, Promotion, Customer Satisfaction and Customer Loyalty. In addition to the theory used, it also discusses a summary of previous research, and a conceptual framework that provides clarity in solving research questions, as well as the relationships between variables.

CHAPTER 3: RESEARCH METHODS

Chapter 3 contains research designs, operational concepts that are used by researchers as concepts to be discussed as research objects, types of data sources, namely sales data of plastic bags in supermarkets and uses several methods. This research tool and method is a way to find out satisfaction and loyalty information from customers who use plastic bags, and finally from this chapter who analyzes data.

CHAPTER 4: ANALYSIS AND DISCUSSION

Chapter 4 is a general description of the object of research, description of data, analysis of customer satisfaction questionnaires, and finally discussion conducted by researchers. Discussions conducted by researchers are customer satisfaction, especially customer loyalty to the use of plastic bags, and customer satisfaction with regulations for reducing the use of plastic bags. Researchers will give some recommendations related to policies in the use of plastic bags, as well as how to recycle plastic bags properly.

CHAPTER 5: CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

Chapter 5 contains conclusions from the results of the analysis conducted by researchers, limitations, and suggestions from researchers given to the research object.