

# CHAPTER 1 - INTRODUCTION

## 1.1 Background

In this era of globalization, competition in terms of business has been increasing. Innovation is no longer limited to the high technology sector, but nowadays it has become a global phenomenon that affects all sectors of life. This acceleration and good business innovation simultaneously remind us consumers and business people how important it is how to gain customer loyalty. As a goal of business marketing, customer loyalty is believed to be a commitment to the brand and or approach to the brand who provide service, product category and etc. (Dick and Base, 1994).

Loyalty is also interpreted as an expectation to continue a relationship with a particular brand (Wilson, 1995). Until today, lots of companies are still trying on their best effort to find tools which have an ability to build their own loyal customers. Understanding what their customers perceive valuable is the main key in this process.

Nowadays, the current obstacle which faced by many companies and even more some of them are huge and valuable companies are there are still gaps between the customer perception or customer expectation and the service or programs that were offered by the company. Customer Loyalty Programs are the proven marketing tools that has huge impact in growing and maintaining the market share of a business. A loyal customer who are enthusiastic about a brand are likely influenced themselves to continue purchasing and act as a prime market for those brand's new products. This program will encourage customers to stay with one brand. A loyalty program can be defined as a structured set of marketing activities that reward and foster loyal customer behavior (Sharp & Sharp, 1997). The loyalty of customer is reflecting the level of consumer habits in buying goods or services repeatedly. This habit can be a sign for companies and marketers in maintaining their performance of sales strategies both in promotion, advertising, product design and even their customer approach strategies. This is what the company must maintain and enhance in meeting the needs and desires of their customers.

But in the other hand, there are still limitations among businesses in terms of finding the accurate method for controlling and measuring the effectiveness degree of the loyalty programs, whether it has positive impacts, negatives impact or even has not impacted at all on

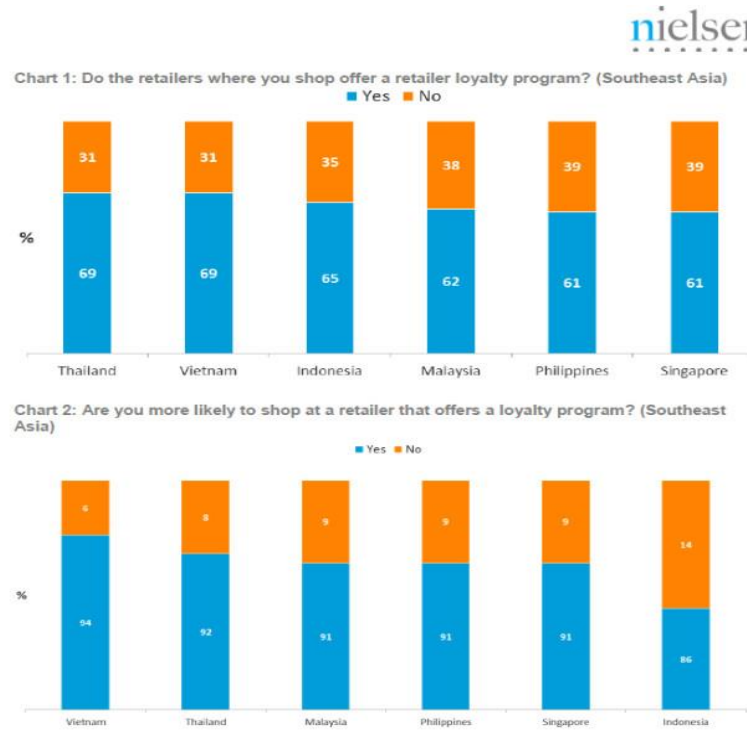
the customer loyalty. When the changes that are made do not match with the company's strategy, it would reduce the level of customer satisfaction that previously existed.

From the majority of research conducted on companies that implement loyalty programs approach, it has been proved that most of those companies succeed in increasing profits and reducing the cost value since using loyalty programs as an instrument. Nevertheless, however, there is a difference in responsiveness from various segments and industrial sectors making the distribution of research produce the effectiveness of a loyalty program that is different and the effectiveness level are still in accordance with the characteristics of the customer and the location where the company and industry operates.

However, Loyalty programs need to be designed with more targeted rewards, differ according to different groups of members based on their value, and they need to provide greater value at higher customer value tiers, by rewarding best customers to encourage higher spending levels. In order to achieve a successful loyalty programs, companies need to investigate their customer behavior and needs by collecting their customer's profile and any additional data that important for the company to easily describe their customer's preferences. (Ray Shaw, 2015). Companies provide and set their rewards and benefits to their members and expect a high retention of existing members as well as an increasing profitability. In the business perspectives, it is common that some businesses operate their loyalty program rewards in a highly competitive setting to provide equivalent or higher promotional values than their competitors (Klebanow, 2002). Customers with high program-loyalty might not necessarily develop a favorable attitude toward a provider, but they continue to purchase from the provider because of accumulating benefits such as loyalty points (Evanschitzky et al., 2012). Started from this loyalty program, it would create a new loyalty called behavioral loyalty because of the membership program.

According to a new study by Nielsen (2013), a leading global provider of information and insights into what consumers watch and buy. The Nielsen survey investigated and collected data from six Southeast Asia countries including Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. Among Southeast Asia, the majority of customers described that the loyalty program were available in retail stores where they shopped and that they were more likely to visit retailers that offered loyalty programs. Thailand and Vietnam were countries that loyalty programs are prevalent, 69 percent of respondents indicated loyalty programs were

available in shops where they shopped. In the second position is replaced by Indonesia (65%). Then the data followed by Malaysia (62%), Philippines and Singapore (61%).



**Figure 1.1** The Nielsen Global Survey of Loyalty Sentiment study

(Source: Nielsen, 2013)

Talking about the specific profile of the customer, Boston Consulting Group (2014) research showed that members of the millennial generation (who outnumber the baby boomers and are entering their peak purchasing years) are heavy users of portable devices and are connected to brands wherever they go. Data from BCG described that two-thirds of Millennial report that they use smartphones to access the Internet, far more than older consumers. They also engage with brands more deeply through social networks.



**Figure 1.2** MasterCard Study “Achieving Advocacy and Influence in a Changing Loyalty Landscape”  
(Source: Mastercard, 2018)

Another research from MasterCard Asia Pacific Study (2018) named “Achieving Advocacy and Influence in a Changing Loyalty Landscape” which focused on loyalty program participation, preferences and behaviours in Asia Pacific markets, including India, Australia, Hong Kong, Indonesia and others. It showed that the top three key drivers of a valued loyalty program include easy-to-earn benefits (30 %), a good range of rewards (28 %) and benefits that are relevant to the consumer (28 %). It’s a mixed bag with regard to the region’s preferences for the type of rewards earned from loyalty programs. Markets such as Indonesia (65 %) and South Korea (45 %) prefer discounts while the Chinese are hungry for bonus or complimentary products (47 percent). MasterCard’s study (2018) also explained that three in five Indonesian members would highly value offers based off their purchase behavior on the personalization.

Finally, this research study take a case study of MyPertamina loyalty program which owned by PT. Pertamina (Persero) as the context of this research. From what we know, as the biggest national energy company in Indonesia, Pertamina was the market leader in the fuel retail industry among several players that existing. Therefore, Pertamina also admitted that as a

business, they still need to grow and develop their services continuously to keep their existence and good reputation to their customer.

Brand competition between retail fuel (SPBU) operators in Indonesia, especially in the non-subsidized fuel segment is very interesting to be analyzed. Although the player in this fuel retail operators are not too crowded, but the company branding efforts of each player are very tight. In fact, Pertamina as the market leader admitted that they should not be careless at all in terms of sustaining and growing as a business.

The high competition between brands in this industry is shown by the emergence of several new players. While PT Pertamina, PT Shell Indonesia and PT Total Indonesia has been left by PT Petronas (Malaysia) which in the previous October of 2012 has officially closed and stopped selling gasoline in Indonesia. In fact, currently newcomers which emerged are the newcomer from Netherland, Vivo and also AKR. The comparison and additional explanation of each operators are explained on the table below (See Table 1.1).

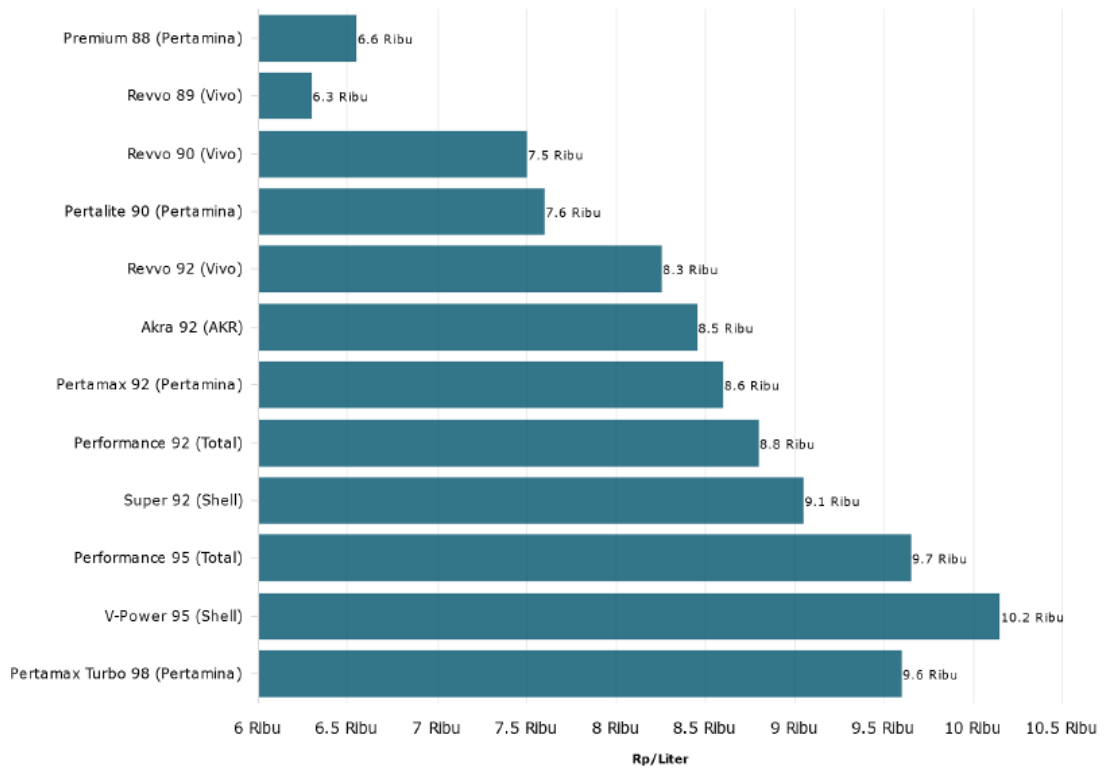
**Table 1.1** Comparison of Retail Fuel (SPBU) Operators in Indonesia

	<b>PT Pertamina (Persero)</b>	<b>PT Total Oil Indonesia</b>	<b>PT Shell Indonesia</b>	<b>PT Vivo Energy Indonesia</b>	<b>PT AKR Corporindo, Tbk.</b>
<b>Country of Origin</b>	Indonesia	France	Netherland	Netherland	Indonesia
<b>Number of Gas stations (SPBU) in Indonesia</b>	6000-7000 Units (All across Indonesia)	18 Units (Jabodetabek & Bandung)	80 Units (Jabodetabek, Bandung & North Sumatera)	1 Unit (Cilangkap, East Jakarta)	130 Units (All across Indonesia)
<b>Products</b>	<ul style="list-style-type: none"> <li>• Pertamax Racing (100)</li> <li>• Pertamax Turbo (98)</li> <li>• Pertamax (92)</li> <li>• Peralite (90)</li> <li>• Premium (88)</li> </ul>	<ul style="list-style-type: none"> <li>• Performance 90</li> <li>• Performance 92</li> <li>• Performance 95</li> <li>• Performance Diesel</li> </ul>	<ul style="list-style-type: none"> <li>• Shell Reguler</li> <li>• Shell Super</li> <li>• Shell V-Power</li> <li>• Shell Diesel Bio</li> </ul>	<ul style="list-style-type: none"> <li>• Revvo 88</li> <li>• Revvo 90</li> <li>• Revvo 92.</li> </ul>	<ul style="list-style-type: none"> <li>• AKRA SOL (HSD)</li> <li>• AKRA 92</li> </ul>

	<ul style="list-style-type: none"> <li>• Pertamina Dex (51), Dexlite (51)</li> <li>• Solar (48).</li> </ul>				
<b>Customer Loyalty Program</b>	MyPertamina	Promo DBS-TOTAL	Shell ClubSmart & Shell Smart Pay	-	-

The event that happened on Petronas clearly indicated that the fuel retail (SPBU) business competition between brands in Indonesia was too fierce. Five years later, after the Petronas gas station disbanded, the gas station business became a byword. The reason is the presence of a gas station owned by PT Vivo Energy Indonesia in the Cilangkap area, East Jakarta.

Based on the Research Octane Number (RON), there are seven types of fuel oil (BBM) circulating in Indonesia, according to the octane values of 88, 89, 90, 92, 95, 98, and 100. However, what is commonly used for public is fuel with octane levels of 88 to 98. While fuel with octane 100 is specifically for racing vehicles.



**Figure 1.3** Comparison of Retail Fuel Price in Indonesia

(Source: Katadata.co.id)

Based on the figure 1.3, Premium is the only BBM that has an 88 octane level (lowest). Pertamina's fuel is sold at Rp. 6,550 / liter. However, the price is more expensive than Revvo 89. The Vivo production with 89 octane is sold at Rp. 6,300 / liter. This price is the cheapest compared to other fuels. Vivo surprised the public by selling Revvo 89 brand gasoline with RON 89 for Rp. 6,100 per liter. The price is cheaper compared to Pertamina's Premium gasoline with RON 88, which is priced at Rp. 6,500 per liter. While the most expensive fuel price in the General Fuel Filling Station (SPBU) is V-Power. Shell fuel oil with 95 octane is sold at a price of Rp10,150/liter, even though its competitors sell below Rp.10,000/liter. This price is also more expensive than Pertamina Turbo which has a 98 octane which is priced at only Rp. 9,600/ liter.

**Table 1.2** Competition between Non-Subsidized Fuel Brands in Indonesia

<b>Non-Subsidized Fuel</b>	<b>BAR (Brand Advocacy Ratio)</b>	<b>PAR (Purchase Action Ratio)</b>
Pertamax	0.87	0.86
Pertalite	0.83	0.86
Pertamax Turbo	0.59	0.15
Shell Super	0.47	0.16

(Source: Marketeers Indonesia, 2018)

Based on the data of table 1.2 above, it shown that Pertamina is very tough as the biggest market share in Indonesia. The research above stated the top three products of Pertamina gas stations are the owners of the highest Brand Advocacy Ratio (BAR) and Purchase Action Ratio (PAR). Price factor stilil plays an important role which influences consumer purchasing decisions. Those data also proved that Pertamina’s products are the best-selling and the best-known in Indonesia.

In the other hand, PT. Pertamina (Persero) also admitted that there were brand switching behavior that occurs because of the people nowadays are more able to know which product that has the best quality for them among those options. Therefore, as a business, eventhough as the market leader, PT. Pertamina believes it is a necessity to grow and keep developing their service quality for their customers. Customers loyalty has become a concern for Pertamina.

In 2017, Pertamina officially launched a loyalty program called MyPertamina. The program was intended to improve the customer experience in terms of comfortness and convenience transaction in gas stations. MyPertamina carries loyalty, e-payment method and engagement platform which provide a new digital experience to customers in order to give benefits such points and rewards. For more details about what is MyPertamina and what it offers, it will be explained in the section profile of MyPertamina in the next sub-chapter.

## **1.2 Company Profile**

### **1.2.1 Profile of PT. Pertamina (Persero)**

PT. Pertamina (Persero) is one of the State-Owned Enterprises (SOEs) companies that are in charge of managing oil and gas mining in Indonesia. With more than 60 years of experience, Pertamina runs its business activities professionally and has high technical mastery, from upstream to downstream activities. Oriented to the interests of customers is also a matter

of Pertamina's commitment to play a role in providing added value to the development and prosperity of Indonesia. Become a World-Class National Energy Company is the vision of PT Pertamina (Persero). For the mission is to handle the oil, gas, and the renewable energy in integration, based on strong commercial principles.

Talking about the important activities of PT. Pertamina (Persero), Pertamina is responsible to all of the operation in three aspects of activity. First is to take full responsibility of gas and renewable energy operations in Indonesia. Implementing the liquefied natural gas (LNG) and liquefied petroleum gas (LPG) based on the appointment / assignment of SKK Migas and the sale of CNG (Transportation). Then, the next activity under Pertamina is in managing operations of Upstream runs exploration, exploitation and production of oil, natural gas, coal methane gas (GMB), shale gas and geothermal including geothermal power plants (PLTP) through related subsidiaries as well as the provision of drilling rig and supporting services.

Finally the last activity that became the responsibility of Pertamina was the activities in the downstream business sector include the Processing, Marketing & Commerce business, and the LNG business. The Marketing & Commerce business includes the distribution of petroleum and petrochemical products produced by Pertamina refineries and those imported, both for domestic and foreign market purposes, and supported by distribution and transportation facilities by land and sea.

Pertamina sells retail fuels for the transportation sector, households and fishermen through gas stations (fuel filling stations for the public) spread across Indonesia.

To provide the Indonesian market, Pertamina gas stations provide several types of fuel.

1. Gasoline Engine fuel

Consists of five kind of products based on the octane number such as Pertamina Racing (100), Pertamina Turbo (98), Pertamina (92), Peralite (90) and Premium (88).

2. Diesel Engine Fuel

Consists of three kind of products based on the cetane number such as Pertamina Dex (51), Dexlite (51) and Solar (48).

In the business model of its fuel retail business, Pertamina conducted an open partnership pattern to all parties. By conducting a selection and verification process for

submissions from the prospective partners. Prospective partners must be in the form of cooperatives or PT, not individuals. There are two forms of partnership that was offered by PT. Pertamina (Persero) in terms of fuel retail partnership business.

#### 1. Regular Gas Stations

Also called as Public Filling Station is a channeling institution built on a limited plot of land with a minimum requirement of 1,500 m<sup>2</sup> and has a gas station facility that is built based on the design. Design and technical specifications that have been approved by Pertamina that is used to distribute and market BBM and / or Other Products using the Pertamina trademark and can be used for the management of NFR (Non Fuel Retail) Business - NFR Optional. Regular SPBU cooperation consists of CODO (Company Owned Dealer Operated) and DODO (Dealer Owned Dealer Operated). Pertamina CODO gas stations are SPBU as a form of cooperation between PT. Pertamina (PERSERO) with certain parties. Among others, cooperation in the use of land owned by companies or individuals to be built by Pertamina gas stations. Then, DODO gas stations are gas stations in the form of cooperation where the location and investment are carried out entirely by individual potential partners. To develop non PSO outlets at present DODO gas stations only sell Premium and BBK products (Solar sold is Economic diesel).

#### 2. Mini / Modular gas stations

The Mini General Fuel Filling Station is a channeling institution built on a limited plot of land with a minimum requirement of 600 m<sup>2</sup> and has a gas station facility that is built on the design, design and technical specifications approved by Pertamina that are used to distribute and market BBM and / or Other Products using the Pertamina trademark and can be used for the management of NFR (Non Fuel Retail) Business - NFR Optional Modular Public Filling Stations are channeling institutions that have facilities and facilities that can move, which are established as alternative buildings to meet the needs of Non PSO fuels in certain locations. For the needs of a Modular gas station that markets PSO and Premium BBM products, it is possible for certain reasons.

### 1.2.1.1 Fuel Retail Business of PT. Pertamina (Persero)



**Figure 1.4** Pertamina Gas Station

(Source: Pertamina.com)

In the retail, PT Pertamina Retail was assigned by PT Pertamina (Persero) to manage COCO Gas Station as the role model of its fuel and gas retail business with the tagline, “Guaranteed Quality, Products, and Services”. PT Pertamina (Persero) targeted that in the next 5 (five) years, COCO Gas Station shall constitute at least 20% of all gas stations in Indonesia, which amounts to 5,000 units. In order to achieve the target, fuel retail business unit carried out the following work plans, as recommended by the management:

1. Developed fuel and gas retail business network by adding units.

The units were added through takeovers in the form of 3 joint operations (Pekanbaru Muara Basung, Medan Pasar Miring, and Rempoa), 3 acquisitions (Pondok Ungu, Yogyakarta HOS Cokroaminoto, and Meruya Ilir) as well as one Transportable Gas Station (Halim Perdanakusuma).

2. Improved Pasti Pas grading.
3. Rolled out Pasti Prima Gas Stations.

Several gas stations are in the process of being processed in Pasti Prima audit. Throughout 2017, the following gas stations successfully obtained Pasti Prima certification: Jakarta Lenteng Agung, Jakarta Kuningan, Jakarta MT Haryono, Jakarta Abdul Muis, Jakarta Cikini, Bandung Dago, Yogyakarta Lempuyangan, Surabaya Jemursari, Surabaya Juanda, Semarang Sultan Agung, Medan Polonia, Jakarta Pramuka, Jakarta Gandaria, Jakarta Fatmawati, Jakarta Fatmawati II, Jakarta Yos Sunter, Jakarta Kemang, Cirebon Darsono, Semarang Kaligarang, and Summarecon Kelapa Gading. Carried out Marketing Programs by increasing RFID Corporation customers, executing Bundling and Cross Selling Programs, and holding Joint Promo Thematic Program (Pasti Prima Gas Station).

4. Sold Peralite in all managed Gas Stations.
5. Appointed PTPR as the National Voucher Agent
6. Maintained shrinkage at the rate of 0.25%
7. Rolled out Self-Service Dispenser Motor, which has currently been implemented in 81 Gas Station Units.

Gas station managed and operated by the Company has developed into five types:

1. Gas Filling Station (SPBG)
2. Gas Filling Station exclusively sells compressed gas products or CNG (Compressed Natural Gas) for transportation sector. CNG is a government-developed product as an alternative to replace PSO fuel. Currently the Company has 13 units of Gas Filling Station in operation
3. Bunker Filling Station (SPBB)
4. Bunker Filling Station is a floating gas station which is specifically designed for the refueling of ship and/or other water transportation vehicles and is suitable for storing diesel oil in tankers. The Bunker Filling Station is designed to provide a convenient and environmentally-sound method for the refueling of water transport vehicles in ports. As of December 2017, the Company has operated 1 Bunker Filling Station.
5. Self-Service Gas Station



**Figure 1.5** Pertamina Self-Service Gas Station

(Source: Pertamina.com)

A wide range of initiatives and service innovations has been carried out by the Company to provide comfort and satisfaction for its customers. One of the initiatives is to operate Self-Service Gas Stations, where customers fill their own vehicles' tanks – both motorcycles and cars – with fuel. In the future, Self-Service Gas Stations will be able to accommodate a wider range of payment options: RFID (Radio Frequency Identification) card, credit card, debit card, and e-money. As of December 2017, there are 83 Self-Service Gas Stations operating in a number of cities across Indonesia.

#### 6. Pertamina Series/Non-PSO Gas Station

This type of Gas Station exclusively sells non-subsidized, Pertamina-featured fuel products. In this Gas Station, loyal, non-subsidized customers will be able to purchase Pertamina series products without having to queue with other customers that purchase PSO fuel products. As of December 2017, there are 153 Pertamina Series Gas Stations operating in many cities across Indonesia. Fuel products sold at Pertamina-Series Gas Stations are: Pertamina, Pertamina Plus, Pertamina DEX and Pertamina Racing.

#### 7. Transportable Gas Station (SPBU-T)

Transportable Gas Station is located inside the depot area or PT Pertamina (Persero) installation, specializing in serving the needs of Pertamina own-used tanker vehicles, and

only sells non-subsidized diesel products. As of 31 December 2017, there are 46 Transportable Gas Stations operating in numerous cities of Indonesia.

Talking about the operational cooperation aspect, PT Pertamina Retail offers co-management concept for DODO (Dealer Owned Dealer Operated) Gas Stations through 2 (two) business schemes that are profit-sharing (margin sharing), Rent In both schemes, all operational costs and investment funds for the maintenance of Gas Stations will be covered by the Company. Interested Gas Station owners should provide the following information:

1. Location, land area, and Gas Station number
2. Sales data of fuel and non-fuel products
3. Human resource information
4. Technical data mapping
5. The latest annual financial report

Then, in the aspect of advertising and outdoor media, Pertamina is determined to give added values to Gas Station areas without reducing its value and main function as public fuel provider, the Company utilizes its Gas Station areas as advertising media (Above the Line/ATL) and promotional media (Below the Line/BTL). In advertising its products, Pertamina conducts strategies such as:

1. Utilizing outdoor media in Gas Stations as business partner's advertisement media, to promote their products or activities
2. The rent is under land rental or advertisement media spot rental in Gas Stations
3. Media used include: acrylic dispenser, neon sign, barrier, t-banner, billboard, and videotron

In addition, in promoting its products, Pertamina also conducts promotional strategies such as:

- a) Utilizing areas in Gas Stations for promotional activities, such as activation booth, direct selling, or customer loyalty programs.
- b) Offers event organizer services, such as meetings, conventions, exhibitions. Examples of past events: Rumah Kreatif BUMN (SOE Creative House), Serambi Pertamina, Eco Run, etc.

### c) Promotions and Partnerships with Third Parties

The Company also offers promotional services and partnerships with third-party business partners. These partnerships are open for stakeholders from bank, insurance, music, and other industries through various forms of partnerships, such as CD sales, banks' debit card promos, and insurance coverage.

## 1.2.2 Loyalty Program MyPertamina



**Figure 1.6** MyPertamina Loyalty Program

(Source: Mypertamina.id)

Become a leading local contractor in Indonesia In the framework of innovation and improving services, Pertamina launched MyPertamina loyalty program in Pertamina in the

December of 2017. Loyalty programs are one of the ways the company can give appreciation to loyal customers of Pertamina's products. This appreciation is given in the form of points for each particular product transaction, then the points obtained can be exchanged for MyPertamina merchandise or vouchers on the redemption program.

Firstly, PT. Pertamina (Persero) officially created MyPertamina as a mobile application which is free to download in Google Play store (Android) and Apple Store (iOS). MyPertamina mobile apps came as a loyalty and e-payment program that provides user experiences from PT Pertamina (Persero) easily for all Pertamina customers. In this e-money service, it has been registered and supervised by Bank Indonesia (Central Bank of Indonesia). MyPertamina serves as cashless payment, a customer facility to get points and rewards and the application of e-vouchers that can be used at various merchants who have collaborated with PT Pertamina through the MyPertamina Loyalty Program.



**Figure 1.7** MyPertamina Card Activation

(Source: Mypertamina.id)

Customers who wish to register only have to download the official application of MyPertamina from the Play Store or Apple Store and then input their data to register. On the next step, customers can see the merchant list that able to provide service to give the MyPertamina official member card, then do the pairing process with the registered customer's

phone number and finally the card is ready to use and officially become the member of MyPertamina Loyalty. Until today, MyPertamina card can be used in various gas stations in cities throughout Indonesia, such as several gas stations in Bandung, Batang, Bekasi, Bogor, Boyolali, Cianjur, Cirebon, Depok, North Jakarta, South Jakarta, West Jakarta, East Jakarta, Magelang, Malang, Palembang, Purwakarta, Semarang, Serang, Subang, Sukabumi, Surakarta, Tangerang, Tasikmalaya and Yogyakarta.

Talking about the top up and payment process, MyPertamina customers can easily fill or top up their balance through three options which are via ATM, Internet banking or Mobile Banking. Just by open the application and choose for the top up menu and follow the top up instruction which already given on the mobile apps. Until now, MyPertamina has been collaborate with several state-owned enterprise banks such as Mandiri, BNI and BRI, also with private banks such as Danamon, Maybank, OCBC and BCA. Moreover, the MyPertamina Car is valid for life as of the registration.

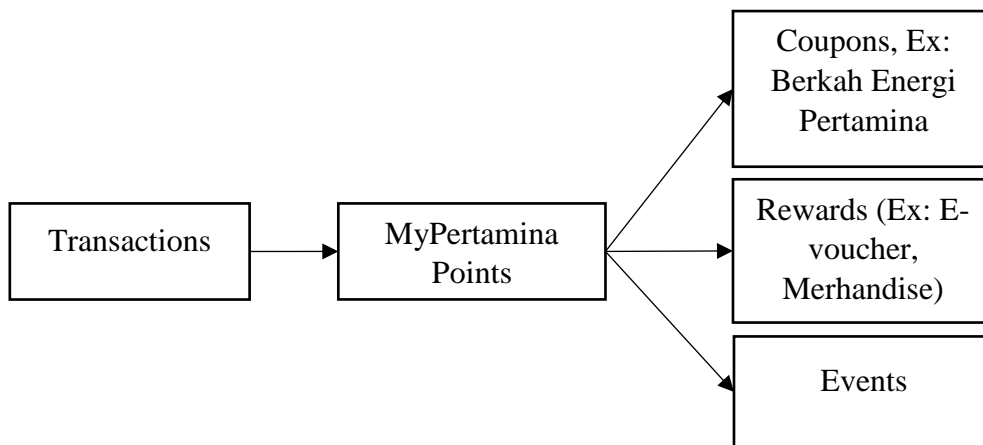
#### **1.2.2.1 Benefits and Special Privileges of MyPertamina Members**

The loyalty program of MyPertamina is packed in a form of a mobile application and member card which has several functions and benefits. For its functions, MyPertamina apps came as an offer to facilitate its customers to gather points and rewards from all Pertamina's products, such as Premium, Pertalite and Pertamax. In the other hand, MyPertamina Loyalty as a card was created to provide convenience for its users because it is connected with various retail tenants and services with the points system which gives the added value to all users of MyPertamina Loyalty card. Talking about its benefits, MyPertamina Loyalty currently can be used for:

1. E-Payment in refueling transactions

In the gas stations which has cooperated with MyPertamina, customers can use the MyPertamina Loyalty card for the payment process.

2. Gain MyPertamina Points



**Figure 1.8** MyPertamina Customer Benefits Scheme

(Source: Modified from Mypertamina.id)

Customers will get their points after purchasing certain Pertamina’s products such as Pertamina Turbo or any merchants of MyPertamina which has already been registered on the mobile apps of MyPertamina. For more details, every customer must give their card to the gas station’s officer every time they make a purchase in order to earn the points. Based on the scheme in Figure 1.3 customer of MyPertamina can redeem their points for getting rewards based on their choice. First option, the customer can redeem their points with merchandise of Pertamina such as backpacks, helmets and others. Secondly, they also can redeem their points to directly participate on events that has been listed on the MyPertamina mobile apps.

Then the last choice, customers can redeem their points for coupons. In the end, the coupon will give the customers a chance to win prizes in a draw that has been announced by Pertamina through social media.



**Figure 1.9** Berkah Energi Pertamina

(Source: Mypertamina.id)

For example, on the “Berkah Energi Pertamina” program which was created by PT. Pertamina (Persero) on August 9th, 2018. The enthusiasm of Pertamina's consumers is said to be high. This can be seen from the number of receipts uploaded in the MyPertamina application system. By participating in this program consumers have the opportunity to get prizes, namely 61 pairs of Umrah packages and 1 Mercy Cabriolet car, 6 Harley Davidson Softail, 16 Toyota Innova Diesel cars, and 61 Yamaha Nmax ABS motorcycles (see Figure 1.2.2.2)

3. Point Redeem

For customers who have a certain number of points, those accumulated points can be redeemed for getting special rewards. Various rewards are available in MyPertamina mobile apps such as merchandise promo, e-voucher and merchant’s voucher.

**1.3 Problem Statement**

Refueling is the basic need for people who use vehicle in their daily activities. The fact tht the increasing volume of vehicles in Indonesia that are rising sharply every day, the gas stations are always crowded with people. Now there are at least three fuel retail operators that exist in Indonesia, which are Pertamina, Shell and Total. Although the items sold are similar,

of course the service and quality of the items are varied. Moreover, now gas stations are not only used as a refueling stations, but now it has shifted into other additional services such as mini-markets, rest area, café and other auxiliary products and services.

In terms of products and services, PT. Pertamina has the most complete variety of products, starting from Premium (88 octane) up to Pertamina Racing (98 octane and above). In terms of services, Pertamina's gas stations have regained control of the marketshare that almost 90% of the fuel retail marketshare in Indonesia are owned by Pertamina. Pertamina also has strategies in order to make their customer do not switch to the other gas stations brand. Including their previous strategies such as “Pasti Pas” program which also supported by the high quality of the fuel and service on the gas stations.

They also has developed the gas stations to become more modern, with restaurants, outlets, ATMs, Musholla and other public facilities. At the same time, the other brands, such Total, also provided several additional services to gain their customer satisfaction, such as windscreen cleaning and tire pressure checking. Sometimes they also recommend for every customer who need to take a rest and buy some snacks and drinks at Bonjour café. Similar to Total, Shell also has additional services which are more complete and friendly starting from glass cleaning, tire pressure checking, rest area, wheel balancing and even throwing a smile while reminding their customer to use the safety belt before they start to drive.

As explained in the background, although not many players in the fuel retail business, but the branding efforts made by each brands are very fierce. In fact, Pertamina as the market leader admitted that they should not be careless at all. Although not very crowded players, but the branding efforts made by each player are very fierce. In fact, Pertamina as the market leader admitted that they should not be careless at all. As a business, they must continue to grow and develop their services

Pertamina continues to maintain its business leadership through a variety of strategies. The context in this research is taking the case study of Pertamina’s customer-relationship management (CRM) strategies, through My Pertamina Loyalty Program. The aim of this program is to provide rewards and improve customer experience in terms of convenience and comfort in transactions. This program is intentionally built in two forms, cards and applications. Here, Pertamina wants evolution gradually before carrying out a major revolution. This effort is done so consumers are able to adopt innovations issued by Pertamina well.

Because, 93% of Pertamina consumers still use cash transactions. Therefore, Pertamina has not yet carried out a digital transformation at the same time.

Theoretically, the purpose of customer loyalty program is to provide a sense of comfort and loyalty to the exist customers and to attract new customers. Customer loyalty is formed due to the program offering various benefits in the form of points, prizes and other forms of benefits. According to a research study by Yi and Jeon (2003), customer loyalty was differentiate into two kinds of attitudinal loyalty based on the target of loyalty. The research suggests that customers can exhibit loyalty towards the brand or company and loyalty towards the loyalty program.

The program loyalty defined as a condition to have a positive attitude toward the benefits of the loyalty program, whereas they understand company brand loyalty as having a positive attitude toward the company / brand. Loyalty emotion is considered as a key consumption value that influences consumer choice behavior (Griffin, 1997; Long & Schiffman, 2000) and hence, it plays an important role in customer loyalty (Evanschitzky et al., 2012; Zins, 2001).

Some theoretical research in science marketing have been used in analyzing the survey results from members of a loyalty program. Therefore, this research is combining research method based on the framework by Heiner Evanschitzky and Seema Gupta. Those two framework will support this research on making the conceptual framework and the results of analysis of a loyalty program. In conclusion, the problem in this theoretical research is finding the right method to measure the effectiveness of loyalty programs by analyzing and testing the theoretical model by using the case study of MyPertamina loyalty program since it was formed.

#### **1.4 Research Questions**

There are five research questions in this final project:

1. Is there an influence of the relationship quality on the company loyalty of PT. Pertamina's gas stations?
2. Is there an influence of the program perception on loyalty to the MyPertamina program?
3. Is there an influence of the program loyalty on involvement experience in the context of using MyPertamina?
4. Is there an influence of the Involvement customer's experience on the company loyalty in the context of Pertamina's gas stations?

5. Is the aspect of involvement experience in MyPertamina mediating the relationship between the loyalty to the MyPertamina program and the loyalty to Pertamina's gas stations as a company?

### **1.5 Research Objectives**

The Main purpose to determine the extent of the effectiveness of the My Pertamina program by using theoretical method analysis to answer all of the research questions that has been mentioned above

1. To the influence of relationship quality (satisfaction, trust, commitment) on company loyalty (repurchase intention and referral WOM) program members in the context MyPertamina Loyalty Program.
2. To analyze whether there is a positive influence of program perception (satisfaction, trust, commitment) on program loyalty (special treatment and program value) program members in the context MyPertamina Loyalty Program.
3. To analyze the influence of program loyalty (special treatment and program value) on involvement experience that felt by the members which in the context MyPertamina Loyalty Program.
4. To analyze the influence of involvement experience on the company loyalty in the context MyPertamina Loyalty Program.
5. To analyze whether the involvement experience mediating the relationship between the loyalty program and the company loyalty in the context MyPertamina Loyalty Program.

### **1.6 Research Scope**

The data of this research are collected in the scope of DKI Jakarta area. The sample of this research are the users of MyPertamina card in every gas stations (SPBU) in DKI Jakarta. The Data are collected by distributing questionnaires via Google Form online platform and disseminated by utilizing social media networks, email of Civitas SBM ITB Jakarta and mobile phone messaging, such as Line, Whatsapp, Facebook and Instagram.

