

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background**

In recent years, the market scope of retailers extends quickly and continuously, and the level of competition is also higher and higher. The current market place has become more competitive as customers continually expect retailers to exceed their increasing expectations (Wong and Sohal, 2003). To face such a changeable and competitive environment, one of the effective strategies is to do improvements. Service quality has been commonly used by the retailers as one of the important strategy. The sector is observing a radical change as traditional retail markets are replacing with new formats such as discounts stores, departmental stores, supermarkets etc. In this competitive environment the retailers are more required to focus on customer perception. The relation between service quality and customer perception is now firmly established, and it has been shown that this link then produces higher revenues, repeat purchasing behavior, and expanded market share.

Nowadays, the society life pattern has changed, especially in the cities. One of the life pattern that change is the shopping activity. In the past, the traditional market is the first choice if they want to go shopping, but the development in the market place and types bring the more options for the consumers' such as supermarkets, hypermarkets, and also department stores as another place to go shopping. Supermarkets are large, low cost, low margin, high volume, self-service stores that cater to serve the consumer's total needs for food and household products

(Miller and Layton, 2000). In self-selection outlets, customers find their own goods, although they can ask for assistance (Kotler and Keller, 2009).

The growth of supermarkets in Indonesia makes the business competition getting tighter. The tight business competition has become a motivation for the supermarket's owner to build its own uniqueness of the store design in terms of positioning the store image in the consumers' mind. The purpose of the supermarket's owner in running this activity is to positioning in the consumers' mind that supermarket is the first choice in shopping. Retailers need to design the store's atmosphere to draw and influence people's enjoyment of shopping, browsing and examining retailer's offering, and their tendency to spend more money than originally planned.

No matter how serious the competition on business becomes, consumer loyalty ensures steady and long-lasting revenue growth for any kind of business. This study stresses on analyzing the store design of supermarkets, service quality, the relationship between store design and service quality towards store loyalty. In this research, Toko Progo Yogyakarta is included as supermarket category.

## **1.2. Problem Definition**

From the background above, the problems which will be researched as the following:

1. Do differences of consumers' gender, age, and occupation affect consumers' perception about store design and service quality?
2. Are there any effects of store design and service quality to store loyalty?

### **1.3. Research Limitation**

Several limitations are made for this thesis in order to the boundary so that there will be no confusion of this study. The limitations are:

- a. Consumers that have visited and shopped at Toko Progo Yogyakarta.
- b. Consumers that have visited and shopped at Toko Progo Yogyakarta for minimum five times.
- c. Consumers that have visited and shopped at Toko Progo Yogyakarta which live around Yogyakarta area.
- d. Sweeney et al (1997) and Dabholkar et al (1996), have explored important dimensions of service quality within the retail sector. Specifically, within the supermarket sector, Vázquez et al (2001) and Huang (2009) found: physical aspects, reliability, personal interaction, problem solving, and policy.

### **1.4. Objectives and Benefits of the Study**

#### **1.4.1. Objectives of the study**

1. To find out whether the differences of consumers' gender, age, and occupation affect consumers' perception about store design and service quality affects store loyalty.
2. To find out if there is any effect of store design and service quality to store loyalty.

### **1.4.2. Benefits of the study**

#### **a. For retailers**

The result of the study can be used as a consideration in reviewing the customer satisfaction and store loyalty.

#### **b. For author**

This study could add experience and expand knowledge of the author, and as the fulfillment of one of the requirements to gain an undergraduate degree.

#### **c. For other parties**

This study could be source of information and inputs for further researches.

### **1.5. Writing Structure**

#### **Chapter I Introduction**

This chapter contains of background, problem definition, research limitations, objectives and benefits of the study, hypotheses, research methodology, data analyses method, and writing structure.

#### **Chapter II Theoretical Background**

This chapter contains of some theories and concepts of marketing especially about retail business that are related and supported the study.

### **Chapter III Research Methodology**

This chapter contains of company overview, research method; sources of data, data collection method, research's object population and sample, sample collection method, and analyses method.

### **Chapter IV Data Analyses**

This chapter consists of data analysis; respondent description, determining the hypotheses, and multiple regression analyses.

### **Chapter V Conclusion and Suggestion**

This chapter contains of conclusion, and suggestion that are expected to give benefits for all parties that are related to this study.