Chapter I

Introduction

1.1. Introduction

In our daily life, we always use services provided by other people. By watching the television, talking on the handphone, or getting a haircut, we consume the services provided by other people. However, service marketing is different from product (goods) marketing. The goods marketing includes tangible product. It means we can see and touch the goods. The service marketing is rather complicated. In service marketing, we are trying to sell intangible product.

The restaurant in this topic, is not only sell the goods that they offer. Food is not the only thing that the sell. Service in the restaurant adds a new dimension of research. Beside the price and quality of the food, the restaurant also offer the service to attract the customer.

The research is about the impact of servicescape on customer loyalty intention. The servicescape will cover music, scent, cleanliness, implicit communicators, furnishing, staff orientation, staff credibility, staff competence and physical attractiveness (Harris & Ezeh, 2008). This research will only examine the impact of servicescape on customer, not the price and the quality of the food. In chapter one the author would discuss about the background of the research, research question, research scopes, research objectives and finally the benefits of study.

1.2. Research Background

The service sector is going through almost revolutionary change, which dramatically affects the way in which we live and work. New services are continually being launched to satisfy our existing needs and to meet needs we did not even know we had (Lovelock, 2005).

The service sector is not the same with product sector. To market a tangible product is different from marketing a service. Many companies now compete not just in selling tangible products but also in terms of services. Consequently, servicescape is essential in service marketing. This is important in regards to the intangibility, inseparatibility, variability and perishability characteristics of services. This research focuses on the impact of service environment (servicescape), on the customer loyalty intention.

In marketing, many variables should be taken into account. For example, in the context of restaurant, price, quality and accessibility of the products will affect the customer's purchase behaviour. However, in services like a restaurant, those factors are not enough. The odor, cleanliness, music and other elements at the restaurant could affect customer's purchase behavior and a loyalty intention as well. Smell triggers memory; sound changes mood; and touch builds trust. We feel happy when we hear happy music. We almost never buy anything without touching it (Sampson, 2006).

Many people do not understand what servicescape is. Servicescape can be easily defined as service environment, it means all variables and things that affect the customer in that environment. The servicescape in this research will take place

in the restaurant. This topic is interesting, because from the result later we could examine if the servicescape is really should be taken into account in attracting loyalty intention of the customer. However, the research takes places in medium rate restaurant around campus. This eventually will affect the sample that will be used in research later.

In Indonesia, the service competition has reached a high level. We can see from the competition between the low to mid restaurant is quite intense. In Yogyakarta for example, almost every month there are some new restaurants being establish. At the same time, however, many restaurants also went bankrupt. They try to give a good quality food while trying to keep their price as low as possible. While in fine dining restaurant servicescape plays his role, because the restaurant not only sells the quality of the food but also their service environment. In this paper, the author would like to underline the competition between medium class restaurants. The thing that we want to analyze is how their servicescape affect the customer loyalty intention.

This topic is worth researching especially for the restaurant that becomes the sample of the research, and become a guideline for those who want to establish a new restaurant in Yogyakarta. This research could show whether servicescape really affect the customer loyalty intention especially for college students, because the research takes place in campus area, where majority of respondent will be college students, but it mean that all of respondent will be college students.

The author will begin the paper with definition of servicescape, customer behaviour, and then will present a conceptual model that subjected to empirical analysis. Finally, the findings of the study will be present, and will generate recommendations for both theorist and practitioners.

1.3. Research Questions

To aid the researcher in determining what aspect should be explained, some research question was made. This researches question will be answered later in Chapter 4. Below is the list of question:

1. How do the ambient conditions (music, scent, cleanliness) of the restaurant affect customer loyalty intention?

2. How do design factors (implicit communicators, furnishing) affect the customer loyalty intention?

3. How does staff behaviour (customer orientation, credibility) affect the customer loyalty intention?

4. How does staff image (competence, physical attractiveness) affect the customer loyalty intention?

1.4. Research Scopes

In order to make this research more focused and easier to analyze, researcher must set the scope of this research. The specific scope of this research includes:

1. This research focuses on the impact of servicescapes on customer's loyalty intention

2. This research is a replication of Harris & Ezeh's study (2008) published in Journal of Marketing.

3. This research took place in medium rate and fine dining restaurants, The content of the original article took place in fine dining and medium rate restaurant. Initially this study aimed at the same context. However, the researcher did not include fine dining restaurant.

4. The participating restaurants are Pak Dulah Resturant, Jeng Raras restaurant and Ayam dekat Kampus restaurant. Those restaurant are medium rate, have a formal table setting and not include as fast food restaurant.

5. Respondents are customers of the restaurant. The author will conduct research and give questionnaire at those restaurants. There is no limitations of the customer's age and gender as long as they are capable to understand the question and be able to answer the question.

1.5. Research Objectives

The objectives of the research are:

1. To analyze the impact of ambient condition on loyalty intention.

2. To examine the impact from design factors on customer loyalty intention

3. To assess the impact of staff behaviour on customer loyalty intention

4. To evaluate the impact of staff image on customer loyalty intention

1.6. Benefits of Study

The research have two potential benefits, they are:

1. For academic purpose: to understand what factors that affect customer loyalty and what are the things they should do to gain customer's loyalty

2. For managerial purpose

   - To understand more about the importance of service environment and their effect on customer's loyalty
   - To understand consumer's wants and provide a better service.

1.7. Thesis Structure

The structures are divided into 5 chapters:

Chapter I: Introduction

This chapter describes the background of the research, problem identification, research limitation, the purpose of study, and benefits of the study, and writing structure.

Chapter II: Theoretical Background and Hypotheses Development

This chapter describes the theoretical background also hypotheses development which relevant to this research, in order to solve the existing problem.

Chapter III: Research Methodology

This chapter describes the research design which used by the author. This chapter includes time and place of research,

population and sample, data collection method, and data analysis method.

Chapter IV: Data Analysis & Intepretation

This chapter describes the analysis of the collected data and interpretation of data.

Chapter V: Conclusions and Managerial Implication

This chapter represents the conclusion of the thesis, managerial implication, the weaknesses, also suggestion for the next research.