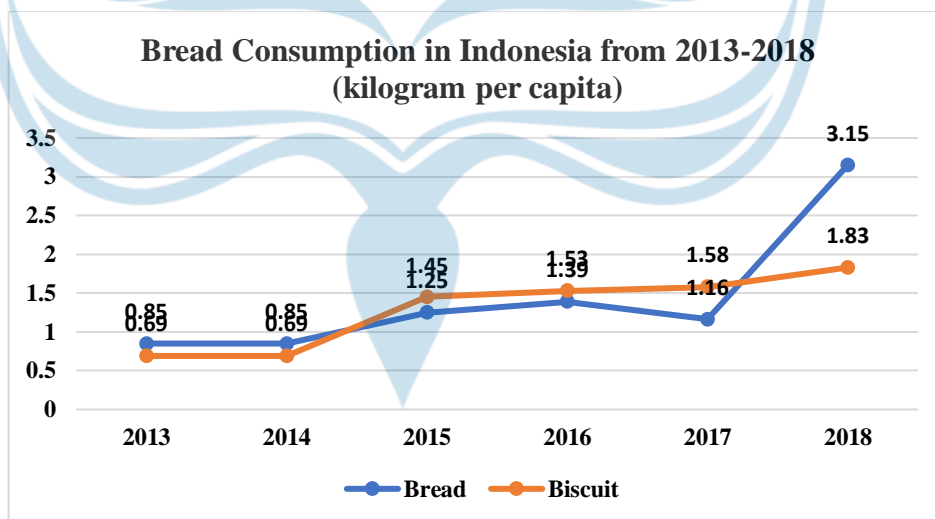


# CHAPTER I

## INTRODUCTION

### 1.1. Background

The development of the bakery industry business in Indonesia currently quite rapid. The existence of bread and cake that is starting to be liked by all levels of society has made the bakery industry a promising business. According to data from Euromonitor (YEAR) cited at Kontan (2017) Bakery business prospects in Indonesia until 2020 are estimated to reach IDR 20.5 trillion per year, with an average sales growth rate for the period from 2014-2020 of 10%. The scale of businesses engaged in the bakery industry also varies, ranging from small, medium, and large industries. Bakery business in Indonesia is currently still dominated by Micro, Small, and Medium Enterprises by 60%, producers by 20%, and the rest are artisanal bakery companies.



Source: [www.kompas.id](http://www.kompas.id) (Accessed on 18 March 2023)

**Figure 1. 1 Bread Consumption in Indonesia from 2013-2018**

The trend of bread consumption also tends to increase. Based on the records of the Ministry of Agriculture in 2013 cited at Kompas (2021), the consumption of white and sweet bread was still 0.85 kg per capita. Five

years later it rose to 3.15 kg per capita. Likewise with biscuits which rose from 0.69 kg per capita in 2013 to 1.83 kg per capita in 2018. The number of bakery companies in Indonesia according to the Ministry of Industry's website (Industrial Company Directory) in 2019 reached 586 units and in 2023 reached 600.

In Indonesia there are many small-scale bakery companies that also survived and are still able to compete and develop despite the impact of the economic crisis. Referring to a survey by the Indonesian Institute of Sciences (LIPI, 2020), almost 70% percent of respondents have been cooking more frequently during the pandemic. This gave rise to a new hobby of cooking, one of which was bread making which could develop into a home business due to changes in bread consumption patterns. Because bakery businesses are increasing, some retailers try to serve the market by providing to support the bread and bakery business.

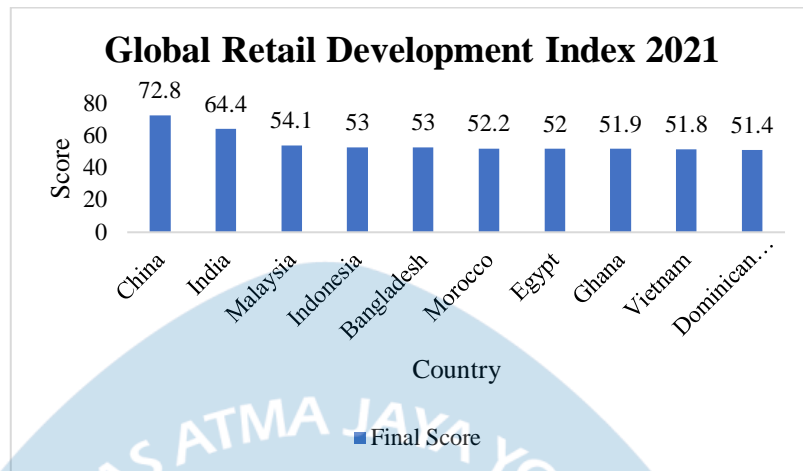
In order to serve the market, some bakery ingredients stores are open especially in Yogyakarta. According to Wijayanti (2022), aside from Toko Aroma there's Intisari Bakers Mart that located in Jalan Dr. Sutomo. Beside bakery ingredients they also provide a variety of cooking utensils and baking equipment. There's Toko Deoni that located in Jalan Gandekan. Besides bakery ingredients, they also provide baking pan, baking mold, and cake decorations. There's Toko Bahan Kue 72 that is located in Jalan Kaliurang. Besides bakery ingredients, they also provide frozen foods.



Source: Taken from difference sources (Accessed on 18 March 2023)

**Figure 1. 2 Examples of Bakery Ingredients Stores in Yogyakarta**

In global, Indonesia managed to rank fourth in the 2021 Global Retail Development Index (GRDI) issued by global consulting firm A.T. Kearney. The Global Retail Development Index (GRDI) is an annual study conducted by consulting firm A.T. Kearney that ranks the top 30 developing countries for retail investment worldwide. The study evaluates each country based on four key factors: economic and political risk, retail market attractiveness, retail saturation levels, and the country's potential for retail investment (A.T. Kearney, n.d.). Even though it is still in the atmosphere of the COVID-19 pandemic, in 2021 Indonesia has even managed to climb 1 rank compared to the position in the 2019 GRDI.



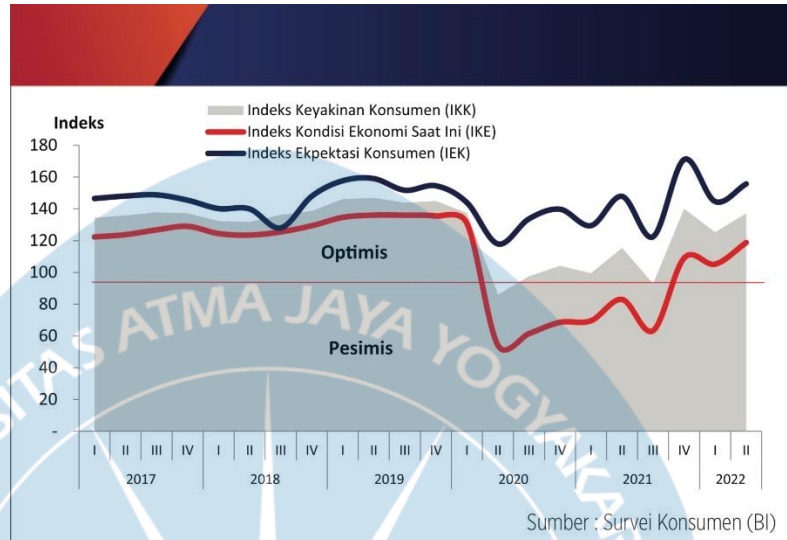
Source: [www. Kearney.com](http://www. Kearney.com) (accessed on September 27, 2022)

**Figure 1. 3 Global Retail Development Index 2021**

Nationally, Indonesia has the largest contribution to the formation of Gross Domestic Product (GDP). Indonesian Trade Minister, Zulkifli Hasan, said that the retail sector is the main driver of household consumption, which accounts for 53.56% of GDP in the first quarter of 2022 (Redaksi DDTCNews, 2022). Furthermore, the retail industry also has a very important role for the Indonesian economy, especially the Indonesian people because the retail industry also has a contribution in the absorption of Indonesian workers. The Indonesian Central Statistics Agency (BPS Indonesia) noted that in 2016 the retail sector contributed 15.24% to the employment of 22.4 million or 31.81% of the non-agricultural workforce (Rini, 2018).

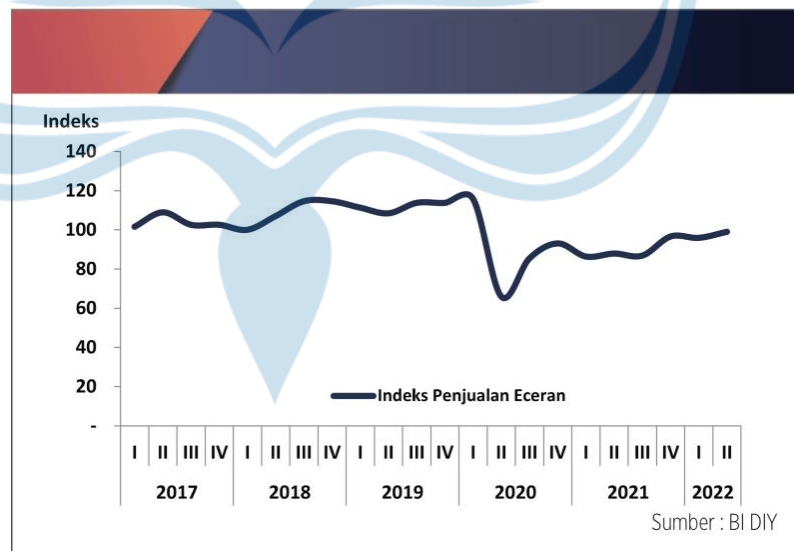
In Yogyakarta, as the spread of COVID-19 was controlled in the second quarter of 2022, domestic demand was observed to increase. Based on the Consumer Survey (Figure 1.5), the Consumer Confidence Index was recorded at 137.2, an increase from 125.2 in the first quarter of 2022. This value is above 100 which indicates demand for consumption has returned to normal conditions. In line with this, the Retail Sales Index also experienced an increase. Based on the Retail Sales Survey (Figure 1.6), the Retail Sales

Index in the first quarter of 2022 also recorded an increase, from 95.89 points in the first quarter of 2022 to 98.97 points.



Source: [www.bi.go.id](http://www.bi.go.id) (accessed on September 27, 2022)

**Figure 1. 4 Consumer Confidence Index Development in Yogyakarta 2022**



Source: [www.bi.go.id](http://www.bi.go.id) (accessed on September 27, 2022)

**Figure 1. 5 Retail Sales Index Development in Yogyakarta 2022**

The PSBB notice forced many people to Work from Home (WFH). Since then, people have a lot of free time and many use it to do productive

things. Many people started a lot of food and beverage businesses that grew rapidly during the pandemic. The Coordinating Minister for Economic Affairs, Airlangga Hartarto, stated that in 2022 the performance of the food and beverage industry experienced a positive growth of 2.54 percent. This record is better than the previous year which was still at 1.58 percent, and better than several other industrial sectors (Suwarta, 2022). Toko Aroma is one of the developing retail stores in Yogyakarta.



Source: Personal Documentation (Taken on December 5<sup>th</sup>, 2022)

**Figure 1. 6 Toko Aroma Store Atmosphere**

Toko Aroma Yogyakarta is one of the famous baking ingredients shops in Yogyakarta (Wijayanti, 2022). Toko Aroma is established in 1992 and founded by Chen Nyit Phin and his wife. It's located in the middle of Yogyakarta city. Toko Aroma Yogyakarta is one of the retail stores that sells baking ingredients like flours, bread improvers, yeast, sugars, butter, margarine, etc. It's located in Jalan Brigjen Katamso near Keraton Ngayogyakarta Palace area. Whole products are retailed, weighed manually by the employees. The employees also serve the customers by collecting items needed by the customers. Customers also can consult for free about recipes, baking processes and how to choose the right ingredients to make the right type of baking. They promote things through Instagram and



Whatsapp stories. Sometimes people consult with the owner or if there's a new product, they will give people free samples to get feedback from the customers.

According to Kotler & Keller (2016) mentioning that product has a positive effect towards customer purchase decisions. In the case of toko aroma, product that they have are good quality products, there's a lot of variety of product, the stock available in it will make the customer to return back to the store. According to research of Akdogan et al. (2021) mentioning that price has a positive effect towards customer purchase decisions. In the case of Toko Aroma, the price of some products are more cheaper than other stores, they also implement quantity discount for other retailers.

According to research of Suryani & Syafarudin (2021) mentioning that promotion has a positive effect towards customer purchase decisions. In the case of Toko Aroma, they promote things through Instagram and Whatsapp stories. Sometimes they give free samples for the customers that do some recipes consultation. According to research of Anderson et al. (2020) mentioning that store atmosphere has a positive effect towards customer purchase decisions. In the case of Toko Aroma, the store is pretty clean with white floors and the store is dominated by shelves containing products that are neatly arranged.

According to research of Syahsudarmi et al. (2022) mentioning that service has a positive effect towards customer purchase decisions. In the case of Toko Aroma, the employee will help the customer by collecting the products that they need, give some consultation and recommendation, also assist the customer to bring their groceries to the transportation that used by the customer. According to research of Tika et al. (2020) mentioning that location has a positive effect towards customer purchase decisions. In the case of Toko Aroma, the location is very strategic. It's located in the middle of the city and on the main street there's no rival in radius 1km.

## **1.2. Research Questions**

Based on the background, to examine the influence of retail mix, the formulated problems are:

1. Does product variables have a significant effect towards customer purchase decision in Toko Aroma Yogyakarta?
2. Does price variables have a significant effect towards customer purchase decision in Toko Aroma Yogyakarta?
3. Does promotion variables have a significant effect towards customer purchase decision in Toko Aroma Yogyakarta?
4. Does store atmosphere have a significant effect towards customer purchase decision in Toko Aroma Yogyakarta?
5. Does service variables have a significant effect towards customer purchase decision in Toko Aroma Yogyakarta?
6. Does location variables have a significant effect towards customer purchase decision in Toko Aroma Yogyakarta?

## **1.3. Research Objectives**

Based on the formulated problems, this research objectives are:

1. To analyze the effect of product variables towards customer purchase decision in Toko Aroma Yogyakarta.
2. To analyze the effect of price variables towards customer purchase decision in Toko Aroma Yogyakarta.
3. To analyze the effect of promotion variables towards customer purchase decision in Toko Aroma Yogyakarta.
4. To analyze the effect of store atmosphere towards customer purchase decision in Toko Aroma Yogyakarta.
5. To analyze the effect of service variables towards customer purchase decision in Toko Aroma Yogyakarta.
6. To analyze the effect of location variables towards customer purchase decision in Toko Aroma Yogyakarta.



#### **1.4. Research Benefits**

This research will create the following benefits:

1) **Theoretical Benefit**

This thesis is expected to provide benefits for academics. In a way by adding empirical research on the influence of the retail mix on customer purchase decision.

2) **Practical Benefit**

This research is expected to be a reference or input for companies who running their business in retail companies especially in bakery ingredients industry. In a way to find out the needs and wants of the point of views of their customers.

#### **1.5. Research Systematics**

The systematic plan for writing this thesis are:

##### **CHAPTER 1: Introduction**

This chapter presents introduction of this research. This chapter covers about the background of this research, research questions, research objectives, research benefits, and research systematics.

##### **CHAPTER 2: Literature Review**

This chapter presents the review of related literature of the previous study. This chapter covers the definitions and theories related to the research variables, previous research and studies, hypotheses development, and research framework.

##### **CHAPTER 3: Research Methodology**

This chapter presents the method used for this research. This chapter covers the type of research, object definitions, research subject, location of research, definition of population and sample, determination of data collection methods, operational definition, description of measurement data, and methods of data analysis.

#### **CHAPTER 4: Result and Discussion**

This chapter presents the result and discussion of this research. This chapter covers the result of descriptive statistics, the result of data analysis, and discussion.

#### **CHAPTER 5: Closing**

This chapter presents the closing of this research. This chapter covers conclusion of this research, managerial implications, research weaknesses, and future research suggestions.

