

CHAPTER I

INTRODUCTION

A. Research Background

Indonesian economy has experienced an increase over times, especially in Special Region of Yogyakarta (DIY). Based on data from the 2019 Central Bureau of Statistics, DIY economy in 2018 grew by 6.20 percent, accelerating faster than in 2017 which grew by 5.26 percent. As the economy increases, people's income and purchasing power also increase which means their consumption will increase as well.

On the other hand, this economic improvement is also followed by the development of modern markets. Modern markets can be viewed as buying and selling activities of goods that are no longer carried out by bargaining activities. Consumers only need to see the price label that has been provided by the merchant in the product shelf when they want to buy something. In addition, the arrangement and placement of products in the modern market are relatively neater, while the traditional market is a well-known market with bargaining activities between sellers and buyers and has a relatively less orderly market environment.

Supermarkets in Indonesia are all privately-owned permits issued by the Ministry of Industry and Trade (Deperindag). Local governments are generally not authorized to refuse permits issued by the central government, although some regional governments require supermarkets to apply for local licenses. For

example, the Depok local government requires that supermarkets have a Modern Market Business License (IUPM) issued by the Ministry of Industry and Trade and Modern Market Development Principles (IP3M) issued by the Depok City Office of Trade and Industry. In addition to permits that are issued centrally, supermarkets usually have to get other local permits needed by each private business, such as Building Permit (IMB) and Disturbance Permit (HO). This situation is similar to what happened in Bandung, although the Bandung local government has prepared a draft regulation on modern retail businesses.

The first supermarket in Indonesia opened in the 1970s, and the number increased rapidly between 1977 and 1992 — with an average growth of 85% annually. Hypermarkets first appeared in 1998, with the opening of Carrefour and Continent shopping centers (which were later taken over by Carrefour) in Jakarta. From 1998 to 2003, hypermarkets grew an average of 27% per year, from 8 to 49 stores. Although it is not easy to ascertain the number of supermarkets and hypermarkets throughout Indonesia, since 2003, around 200 supermarkets and hypermarkets are the property of the 10 largest retail owners (PricewaterhouseCoopers, 2004). The growth of supermarkets in terms of market share is also impressive. The World Bank report (2007) shows that in 1999 the modern market only covered 11% of the total food market share. By 2004, that number had tripled to 30%. Regarding the level of sales, the study found that the number of sales in supermarkets grew by an average of 15%, while sales in traditional retailers declined 2% per year. PricewaterhouseCoopers (2004) estimates that sales in supermarkets will increase 50% between 2004 and 2007,

with sales in hypermarkets increasing 70% in the same period. According to the AC Nielsen Asia Pacific Retail and Shopper Trend 2005 report, the tendency of the public to shop in traditional markets has decreased by an average of 2% per year. Although the growth in the number of supermarkets in Indonesia is fairly rapid, the population living outside of Jakarta and several other small cities in Java has been relatively untouched - 86% of hypermarkets are in Java.

The largest supermarket chains in Indonesia are discussed below. Out of all the existing networks, Carrefour and Superindo networks include foreign companies as the largest shareholders. These large networks operate in big cities in Indonesia, both in Java and outside Java. Three of the five largest networks open supermarkets and hypermarkets. Carrefour specifically operates hypermarkets, while Superindo only operates supermarkets (Suryadarma, 2007).

Nowadays, consumers prefer buying goods in modern market as their favorite place to shop. In this modern market they no longer need a lot of time to pick their goods. All the items needed are sold under the same roof. In addition, consumers also do not necessarily perform bargaining activities, they only need to look at the price tag and fit their budget, then make a decision whether to buy the item or not. Besides, its location which is close to settlements and access roads makes the modern market easily accessible. The existence of convenient and clean facilities, affordable prices, and discounts on certain products are also some attractions for shopping in the modern market. In terms of job creation, the modern market can increase employment opportunities for people who are ultimately able to increase income and reduce unemployment. Seeing the high

interest of shopping in the modern market, a lot of entrepreneurs established Mini Market as it is believed to be a very profitable business, like the word of Allah in sura At-Taubah which says:

"Say, if the fathers, children, brothers and sisters, the wives of your family, the wealth you strive for, the trade you fear for losses, and the houses you like, you love more than God. and His Messenger and (of) strive in his path, so wait until Allah brings His decision, and Allah does not give instructions to the people of the post. ".

Customers are the main target market in every business, because without a customer, a business will not be able to grow and achieve profit maximally. Getting consumers as customers in a mini-market business is not an easy matter. This occurs because of the large number of competition from the existing mini market, which requires employers to pay more attention to product quality, service quality, and prices offered to form a customer satisfaction (Kusumasari, 2011).

The increasing number of modern markets has an impact on the convenience of people to meet their daily needs, such as in terms of communication, transportation, and basic needs, such as clothing and food. This is possible because more and more retail companies sell various kinds of goods in Indonesia, especially in Yogyakarta. One of the well-known retail companies in Yogyakarta is Super Indo. Initially Super Indo was founded in 1997, then it matured and developed with the Indonesian people through a partnership between Salim Group, Indonesia and Ahold Delhaize, Netherlands.

In providing fresh products from good sources, Super Indo has standard

operating procedures in all work lines that are maintained. As a supporter of local products, Super Indo is committed to advancing the local economy by partnering with local farmers, and empowering MSMEs that are included as suppliers of Super Indo outlets.

By continuing to grow and expand the network, Super Indo always opens employment opportunities for local communities. Super Indo always prioritizes a healthy and inclusive work environment that can inspire the wider community to develop career potential with Super Indo. Super Indo believes that their service is not only providing the best service and quality products, but it also builds positive change for the community and becomes a better neighbor. This is reflected in a series of sustainable activities, ranging from promoting healthy lifestyles, charitable activities, and waste free management.

However, retail companies are growing rapidly overtimes, some of which are increasing in number, such as Indomart and Alfamart. In the midst of increasingly fierce competition, Super Indo survives and exists because it has distinctive advantages compared to other retailers.

One of the advantages of Super Indo is the freshness and quality of the products that are always maintained through the good choices of supplier. Monitored standard operational procedures has also become one of its advantages. This makes Super Indo a shopping choice with its tagline “Lebih Segar, Lebih Hemat, dan Lebih Dekat”. In providing fresh products from good sources, Super Indo has standard operating procedures in all lines of work. As a supporter of local products, Super Indo is committed to advancing the local economy by partnering with local farmers and empowering SMEs which are the suppliers of Super Indo.

Super Indo currently has 168 outlets spread across 40 cities in Java and Southern Sumatera. Supported by more than 8.000 trained employees, it provides a variety of daily needs products with reliable, complete, low-cost, and convenient store locations that create satisfaction of the consumer so that they become loyal customers. In order to maintain or increase its customers, Super Indo maintains good product quality, service quality, and prices offered to form customer satisfaction.

Lupiyadi (2011) states that in determining the level of satisfaction, there are five main factors that need to be considered by the company, namely: (1) product quality, (2) service quality, (3) price, (4) emotion, and (5) cost. Irawan (2008) states that customer satisfaction is determined by customer perceptions of the performance of a product or service in meeting customer expectations. Customers feel satisfied when their expectations are met or will be very satisfied when their expectations are exceeded. Irawan believes there are five main factors of customer satisfaction, namely product quality, price, service quality, emotional factors, costs and ease of obtaining products.

Basically the goal of a business is to create satisfied customers. Customer satisfaction occurs when the performance of a product or service meets or exceeds customer expectations (Gerson, 2001). Meanwhile, according to Dunne and Lusch (2005) customer satisfaction is the overall shopping experience that meets or exceeds customer expectations.

According to Kotler & Armstrong (2012) product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Therefore the product is easily seen and compared by consumers. Thus, the appearance of the product is made attractive to make

consumers interested in the product. Once interested, they are expected to make a purchase. When consuming these products, consumers will feel whether the product is in accordance with their expectations or not.

Farida (2009) believes that the image is a representation of the evaluations of consumers, both potential customers and disappointed consumers, including other groups related to the company such as suppliers, agents and investors. Kotler (1999: 33) defines the image as a public perception of the company and its products, and is influenced by many factors outside the company's control. The image can be described through the perception, cognition, motivation, and attitude of a person so that the formation of the image will produce certain opinions, responses or behaviors. Based on these opinions, the image shows the impression or representation of a person's assessment of an object that is formed from the processing of information every time from various reliable sources.

According to Paul Peter and Jerry Olson (2002), the environment consists of two kinds, namely the macroenvironment and the microenvironment. Macroenvironment including large scale, external environmental factors such as climate, economic conditions, political systems, and natural conditions (seaside, mountains, large grasslands). These macro-environmental factors have a general influence on behavior, such as when economic conditions affect the amount of household, car and goods purchases. Microenvironment is related to the physical and social aspects of a person's environment, such as dirty floor in a shop, a fussy shopper, hot weather, or a family or household member. Small-scale factors can directly influence the specific behavior of consumers, opinions, and feelings. Like

people prefer not to linger in dirty conditions, in a crowded shop; customers have to wait until evening to shop during hot weather, and feel angry in long and long queues when they want to go home.

Service quality according to Tjiptono (2005), is a dynamic condition related to products, people, processes and the environment that meets expectations. In the retail business, retail services must be seen as a unity of the products offered. If the company does not understand that, the company will have difficulty entering into increasingly competitive competition. As an absolute thing for every company in entering the arena of increasingly competitive competition, customers must be satisfied, where consumer satisfaction will be created when their desires and expectations can be realized by the company. Maximum service quality is the right strategy in realizing every desire and expectation.

In addition, price is also an important factor. In a narrow sense, price is the amount invoiced for a product or service. More broadly, price is the sum of all values given by customers to benefit from owning or using a product or service (Kotler and Armstrong, 2008). Whereas Hartley (1980) mentions prices indicate the level of quality and fashion of goods.

Measurement of customer satisfaction is a very necessary to maintain customers by knowing the level of customer satisfaction. The benefits of customer satisfaction according to Tjiptono (2005) include: (1) the relationship between the company and its customers is harmonious, (2) providing a good basis for repurchase, (3) encouraging customer loyalty, (4) forming an informal recommendation from mouth to mouth that will be very profitable for the

company, (5) the company's reputation is well-built, (6) the profits earned goes up.

Previous research conducted by Kusumasari (2011) examined the influence of satisfaction factors on customer satisfaction in Pandawa Mini Market in Bajera Village. The results of this study are in the category of dissatisfaction, as well as the magnitude of the influence of satisfaction factors on customer satisfaction indicated by the R square value of 62.2%. Darman, et al (2015) examined the factors that influence customer satisfaction and customer loyalty in Sudirman Fruit Market in Pekanbaru City. The results of this study are 24 variables used in factor analysis resulting in eight factors. Variables of customer satisfaction are formed by two factors which are satisfied with the decision to shop at Sudirman Fruit Market and “never complained about the products I have bought” factor.

Hatmoko (2016) examined the factors affecting customer satisfaction of Syar'e Mart UII Yogyakarta. This study shows that price and convenience have no effect on consumer satisfaction, while product quality, service quality, and emotional factors have been shown to influence customer satisfaction. Ma'munah (2017) examined the analysis of factors influencing the purchase intention of retail consumers in Relasi Jaya Kartasura market and Indomart Kartasura. Based on the research, it is known that the location, price, service quality, and completeness of the product have an influence on the purchase intention of consumers.

In Yogyakarta itself Superindo has 8 branches, namely Super Indo, Urip Sumoharjo, Super Indo Godean, Super Indo Sultan Agung Street, Super Indo Kotagede, Super Indo Parangtritis, Super Indo Dongkelan, Super Indo Kaliurang, and Super Indo Seturan. In this study, the author examined customer's shopping satisfaction in Super Indo Seturan, as it is located in strategic area. Geographically, Super Indo Seturan is located in a strategic position where there are several universities such as STIE YKPN, UPN, Atma Jaya University, also several large hotels around such as, Merapi Merbabu Hotel and East Park Hotel. In addition, Super Indo Seturan has easy access to reach by customers. The fact that it is located in the center of the city, making it a strategic shopping store. Based on the background above and based on previous researches, the author is interested in conducting similar research about the factors that influence customer satisfaction with the following title **"ANALYSIS OF FACTORS INFLUENCING CUSTOMERS' SATISFACTION IN SUPER INDO SUPERMARKET SETURAN YOGYAKARTA"**.

B. Limitations of The Research

In order to conduct this research specifically, perfectly, and deeply, the author considers the research issues raised need to be limited in terms of the variables used. Therefore, the author limits the variables to be tested, namely the influence of product quality (PQ), store image (SI), shopping environment (SE), service quality (SQ), product price (P) on customer satisfaction (CS) at Super Indo. Considering that Super Indo has so many branches in various cities in Indonesia, the researchers decided to choose one branch, namely Super Indo

Seturan as Yogyakarta branch. The reason for choosing Super Indo Seturan is because of its strategic location, in the center of the city, close to the hotels and surrounding campuses. Besides, easy access to get there is also a reason for researchers to choose that location.

C. Research Questions

Based on the description above, the main problems discussed in this study are formed, namely:

1. How does product quality (PQ) influence customer satisfaction when shopping at Super Indo Seturan?
2. How does store image (SI) influence customer satisfaction when shopping at Super Indo Seturan?
3. How does shopping environment (SE) influence customer satisfaction when shopping at Super Indo Seturan?
4. How does service quality (SQ) influence customer satisfaction when shopping at Super Indo Seturan?
5. How does price (P) influence customer satisfaction when shopping at Super Indo Seturan?

D. Research Objectives

In accordance with the research questions above, the purposes of this study are as follow:

1. To analyze the influence of product quality (PQ) on customer satisfaction when shopping at Super Indo Seturan

2. To analyze the influence of store image (SI) on customer satisfaction when shopping at Super Indo Seturan
3. To analyze the influence of shopping environment (SE) on consumer satisfaction when shopping at Super Indo Seturan
4. To analyze the influence of service quality (SQ) on customer satisfaction when shopping at Super Indo Seturan
5. To analyze the influence of price (P) on consumer satisfaction when shopping at Super Indo Seturan

E. Research Benefits

The benefits of the research are as follow:

1. For the Author

This research can be useful to enhance the ability to analyze problems based on the facts and existing data in accordance to the knowledge gained in college.

2. For Super Indo Seturan

This research can be useful as a material for input and consideration, especially regarding customer behavior and what factors make consumers satisfied when shopping at Super Indo. Hence, it is expected that Super Indo will improve and pay attention to the factors that make customers satisfied, so that in the future the number of the customers will increase and Super Indo will remain exist in the competition of retail companies.

3. For Readers and the Next Researchers

This research can provide knowledge and insight to the readers. The results of this study can also be used as reference for several studies with similar objects.

F. Research Contribution

There are two previous studies conducted by Setya Noer Hatmoko (2016) and Siti Ulfatul Ma'munah (2017), who examined the factors influencing customer satisfaction. However the results of the two studies are different. Setya Noer Hatmoko (2016) concluded that price and convenience has no effect on customer satisfaction (CS), while research conducted by Siti Ulfatul Ma'munah (2017) concluded that location, price, service quality, and product completeness have effect on customer satisfaction (CS). This research is intended to reexamine the factors that influence customer satisfaction (CS).

In this study, researcher connects several variables that are considered to influence consumer satisfaction based on previous studies. The difference between this study and previous research lies in the location used to collect samples and this research is carried out in the current year, 2019, so that the data obtained are more up to date and close to the actual conditions.