

CHAPTER I

INTRODUCTION

1.1 Research Background

Modern Supermarket is a place to sell household items (including daily needs). Development of retail supermarket is very competitive and tight, therefore right strategy at the right time needs to be executed to compete with other companies. During 2004 – 2008, revenue of Minimart and Hypermart had the most significant good performance, with average increment 38.1% per year and 21.5% per year, respectively. Hypermartket has excellent performance for modern market, especially in 2008 that contribute 23.1 trillion rupiah, as shown in figure 1.1. Hypermartket has the ability to offer wide variety of choices compared to Supermart and Minimart , while the price could be relatively similar or even lower (Martinus, 2011).

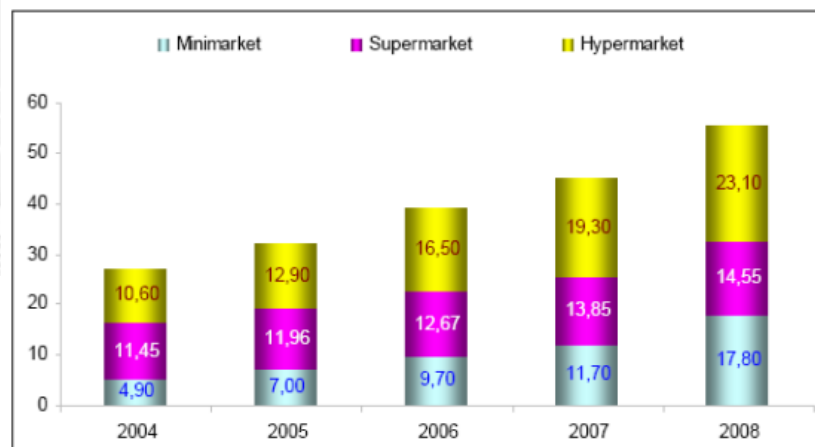


Figure 1.1 Increment revenue of minimart, supermart and hypermarket in 2004 – 2008 (Trillion Rupiah)

Source: Asosiasi Pengusaha Retail Indonesia

The Concept of hypermarket was introduced to the public in the early year 2000, but has been well accepted. It is shown by figure 1.2 that the number of Hypermarket increased quite high averagely 39.8% per year (Martinus, 2011).

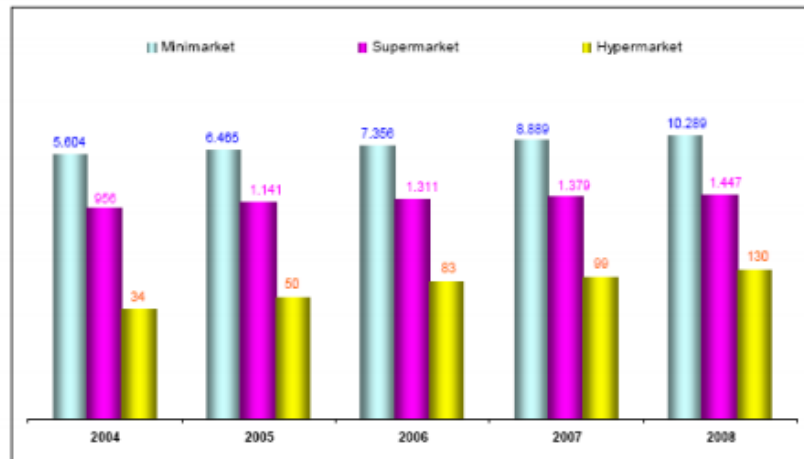


Figure 1.2 Increment number of stores for minimart, supermart and hypermarket in 2004 – 2008

Source: Asosiasi Pengusaha Retail Indonesia

As for Hypermarket category itself, there are five retailers that dominate the market. The first one is Carrefour (Currently Transmart), secondly is Hypermart (Matahari Putra Prima) and Giant (Hero Group), as shown on table 1.1. Hypermarket is able to give bigger contribution than supermarket and minimart. However, lot of competitors try to dominate the market, such as Hero, Indomaret, Ramayana, Alfa, etc. Thus, they have to keep ahead in giving service and promotion to their customers (Martinus, 2011)

Table 1.1 Revenue of Hypermarket Retailer

No	Hypermarket	Sales (Billion Rp)	Market Share (%)
1	Carrefour	11.250	48.70%
2	Hypermart	5.100	22.08%
3	Giant	4.100	17.75%
4	Makro	2.200	9.52%
5	Indogrosir	450	1.95%
Total		23.1%	100%

Source : Martinus (2011)

Currently the competition map for retail business is changing. Some big retailers has to closed down their stores such as Giant and Hypermart. It is not only

affected by shifting of consumer behavior from offline to online, but also tight competition among the offline retailers and changing of company business strategy (Tamara, 2019).



Figure 1.3 Number of stores for Hero Group and Matahari Putra Prima Group
Source: Tamara (2019)

As seen in figure 1.3, in 2015, Hero group had reached 610 stores which consist of Giant mart, Hero supermarket, Giant Extra, Giant Express, Guardian, and IKEA. However, the number of stores keep going down each year, when in 2018, Hero group left 445 stores opened. Further in 2019, another 32 stores were closed down too. On the other hand, Matahari Putra Prima in Lippo group, also closed down their stores during each year. In 2016 they had 299 stores consist of Hypermart, Foodmart, Boston, Foodmart Express, and Smart club. Yet, in 2018 the number of stores were 219 stores. This means in 2 years, 80 stores had been closed down (Tamara, 2019).



Figure 1.4 Number of stores for Alfamart and Indomart
Source: Tamara (2019)

Despite the decreasing number of big retailers, Alfamart and Indomart showed increment during 2018, as shown in figure 1.4. Alfamart group which consist of Alfamart, Alfamidi and Lawson had increment by 9.3%, which made total stores in 2018 reached 15.028 stores. While Indomart had increment by 6.7% in 2018, which made total stores reached 16.366 stores. The increment of minimarket throughout Indonesia might be one of the reasons of reducing numbers of hypermarket.

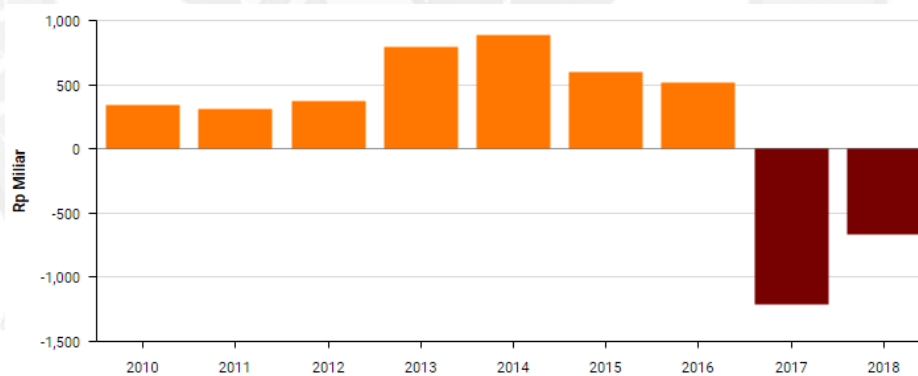


Figure 1.5 Profit of Matahari Prima Putra Group
Source: Tamara (2019)

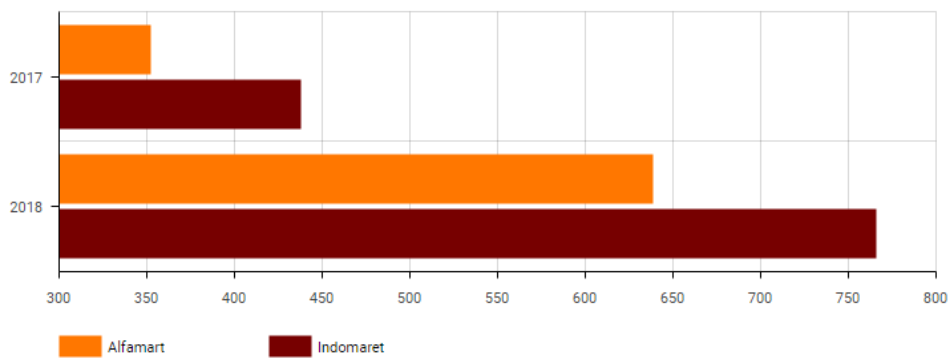


Figure 1.6 Profit of Alfamart group and Indomart
Source: Tamara (2019)

Based on figure 1.5, Matahari Prima Putra Group showed loss around 1.2 Trillion during 2017 and 950 Billion during 2018. Meanwhile, in figure 1.6, Alfamart and Indomart showed positive profit in both 2017 and increased in 2018 by 638 billion and 765 billion, respectively. Increment of minimarket might be caused by changing of lifestyle and shopping behavior. One of the reasons is easier and closer access to minimarket compared to hypermarket (Tamara, 2019).

Retail business development becomes very competitive due to offline and online competitor. Business owner has to offer the best services for costumers because customers' dynamic behavior may let them to try other brands if their needs was not fulfilled. And if the competitors able to cope up with trends and meet customers' needs, then the other business may lose their loyal customers.

According to Smolnikov (2018), Brand credibility is the heart of the brands which serve as benchmarks of social power for consumers in making judgements about their authenticity of claims by producers of social power brands. This means if the brand has higher credibility, more consumers will remember about the brand and believe it. Keller and Lehmann (2006) mentioned that Credibility is the extent to which consumers believe that a brand is willing and able to deliver products and

services that satisfy the customer needs and expectation. Thus, brand credibility is made by repeatable transaction and satisfying customer needs.

Brand Credibility affects customer satisfaction of the products as they expects to get what they needs by using the products. As demonstrated by Maathuis, Rodenburg, and Sikkel (2004), brand credibility impacts consumer's decision making and thus customers trust the to use the product overtime. Brand trust significantly and positively affected by customer satisfaction. Therefore, as the satisfaction increase, so does the trust. In the end, customer satisfaction also leads to customer loyalty, because the brand was able to meet their needs (Barry, 1986).

A brand with good customer satisfaction have good opportunity to change the buyers become loyal customers (Mohsan, Nawaz, Khan, Shaukat, & Aslam, 2011). Those two factors of customer satisfaction and customer loyalty leads the customer to recommend the brand to others thorough word of mouth. East, Hammond, and Lomax (2008) mentioned that Word of Mouth (WOM) is informal advice passed between consumers, and has powerful influence on consumer behavior. Word of mouth is unique since the people who tell the others are not marketers or sales. They just share their unique moments with others and recommend it if they have similar needs. For example, word of mouth from a person who suggest a bicycle maintenance shop to his cycling community.

Currently Hypermart as one of big retail modern supermarket in Indonesia had competitors such as Transmart and Lulu for hypermarkets or even Alfamart and Indomart for minimarkets. Therefore, Hypermart has to give their unique experience and interesting promotion to grab their customers. For example, weekly promotion on fresh products or home living products. An outstanding experience

will speak by itself through their customers which leads to word of mouth recommendation. Furthermore, based on observation, nowadays consumers tend to go to minimarkets which are closer to their home or choose to purchase at online shop as the trend for technology keep rising up. Hence, Hypermart has to keep innovating to meet consumer needs.

As mentioned above that the numbers of competitors keep increasing and company must have good positioning and credibility to maintain their customers and give positive Word of Mouth. Thus, the purpose of this study is to find out if there is any effect of brand credibility to word of mouth via customer satisfaction and customer loyalty at Hypermart Cyberpark Karawaci in Tangerang.

1.2 Research Questions

According to the background above, the questions are as follow:

1. Is brand credibility positively influence customer satisfaction at Hypermart Cyberpark Karawaci in Tangerang?
2. Is brand credibility positively influence customer loyalty at Hypermart Cyberpark Karawaci in Tangerang?
3. Is customer satisfaction positively influence Word of Mouth at Hypermart Cyberpark Karawaci in Tangerang?
4. Is customer loyalty positively influence Word of Mouth at Hypermart Cyberpark Karawaci in Tangerang?
5. Is customer satisfaction positively influence customer loyalty at Hypermart Cyberpark Karawaci in Tangerang?

6. Is customer satisfaction positively act as mediating variable for brand credibility to influence word of mouth at Hypermart Cyberpark Karawaci in Tangerang?
7. Is customer loyalty positively act as mediating variable for brand credibility to influence word of mouth at Hypermart Cyberpark Karawaci in Tangerang?

1.3 Research Objectives

According to the research problem above, then the research objectives are:

1. To find out whether brand credibility positively influence customer satisfaction at Hypermart Cyberpark Karawaci in Tangerang.
2. To find out whether brand credibility positively influence customer loyalty at Hypermart Cyberpark Karawaci in Tangerang.
3. To find out whether customer satisfaction positively influence Word of Mouth at Hypermart Cyberpark Karawaci in Tangerang.
4. To find out whether customer loyalty positively influence Word of Mouth at Hypermart Cyberpark Karawaci in Tangerang.
5. To find out whether customer satisfaction positively influence customer loyalty at Hypermart Cyberpark Karawaci in Tangerang.
6. To find out whether customer satisfaction positively act as mediating variable for brand credibility to influence Word of Mouth at Hypermart Cyberpark Karawaci in Tangerang.

7. To find out whether customer loyalty positively act as mediating variable for brand credibility to influence Word of Mouth at Hypermart Cyberpark Karawaci in Tangerang.

1.4 Research Benefits

1.4.1 Theoretical Benefits

Hopefully this research beneficial and contribute to development of knowledge in marketing management, especially on variable brand credibility, customer satisfaction and word of mouth. Further, to enrich the knowledge for retailer who wish to expand their business.

1.4.2 Practical Benefits

The result of the research hopefully could be used as input and recommendation as standard for retail industries to predict the opportunities. Further, to help companies apply the right strategy to grab customer interest to become loyal and increase purchase motivation of other customers using Word of Mouth from their own customers.

1.5 Research Limitation

The limitation of this research are as follow:

1. This research only covers analysis and testing based on the topic effect of Brand Credibility to Word of Mouth via Customer Satisfaction and Customer Loyalty at Hypermart Cyberpark Karawaci
2. This research has limited variables that may affect Word of Mouth

3. This research only covers respondent from Indonesia, which live at Jakarta and Tangerang, due to limited time and difficulties to collect data from all regions of Indonesia that includes wide ranges of islands.

1.6 Systematic Writings

Chapter I Introduction

This chapter consists of background, research problem, research objective, research benefit, including theoretical and practical, and writing system

Chapter II Literature Review

This chapter consists of Variable Concepts, Hypothesis, and Research Model

Chapter III Research Methodology

This chapter consists of research object, analysis unit, research type, research variable operational, population and sample, including sample amount determination and sampling method; data collection method, data analysis method, research instrument Test, including validity test, reliability test, and preliminary instrument test.

Chapter IV Research Result

This chapter consists of research result, including respondent profile, research variable description, research data analysis (outer & inner model), and discussion

Chapter V Conclusion

This chapter consists of conclusion, managerial implication, limitation and suggestion for next research.