

# CHAPTER 1

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

The condition of competition in the business world is now very tight, because every company has products that offered diversity with unique food products, interesting and have other advantages when compared to competitors. Every manufacturer competes to innovate to make food products that consumers really care about. . Customers have the most important role in every business. In fact, a customer is an individual or group who buys goods or services based on his needs. Customers who have purchased goods or services according to their needs can assess the quality of the product or service. Customers will assess various factors such as price, quality and service provided. If the customer is satisfied with the goods or services, the customer will return to buy the goods or services and will become a loyal customer of the company. The company must retain customers or find new customers so that the company can develop its business.

Product innovation are very important. By the presence of innovation products, customers will not be bored and will still come to the restaurant. Budi (2016) stated that Production Innovation is a movement to make changes to goods or services such as improving product quality. Product innovation also includes increasing the amount of production, reducing production costs, developing and maximizing existing and operational products and ensuring that goods and services can run as efficiently and effectively as possible.

By having product innovation, Customers loyalty can be characterized as the degree to which customers are committed to an organization's products and services and how solid their propensity to choose one brand over the competitors. As indicated by

Andari(2014),Consumer loyalty itself is a deep commitment to buy back or package products or services directlyconsistent in the future. So it can cause the repetition of a purchase of the same product or service even if there is aninfluence on the situation and the various marketing efforts that have the potential for causing a brand shift action. In order for the company to get consumer loyalty, he needs the right marketing strategy and complex.

Food and Beverage business are now so booming in Indonesia especially in Medan. We can see there are so many new cafés in Medan and we can easily find cafés now in every corner in Medan and they always come with the new innovation. CV Zeribowl is a company that located at Asia Megamas Medan Blok 23 CC Medan. CV Zeribowl is a company that provides food and beverages especially dessert. CV Zeribowl established since 2015, Zeribowl was founded by Mr. Steven and Mrs Anita Tanotho. There are so many competitors which are engaged in this food and beverages sector.

It is also a problem that faced by CVZeribowl Medan. The writer finds information by doing preliminary interview from the manager. Many customers complained to zeribowl about the food and beverage menu offered by the zeribowl company. Customers felt there was no addition or innovation made by zeribowl and no new product was launched by zeribowl to satisfy the customers,

And so many customers complained that they were bored with food and drinks in zeribowl. Many customers also complain about the uncertain standard of zeribowl food and drinks, customers feel that there is still no definite standard of zeribowl food and drink, for example, the taste of food and drink which is sometimes too sweet, sometimes not too sweet, and there are also some customers who complain that the place of drinks and food that Zeribowl provides is not in accordance with the standards, for example, the packaging of

food or drink provided by zeribowl cannot close tightly so there are foods or drinks that can be spilled when taken home, sometimes zeribowl provides a place for food or drink that has no logo or sticker, so sometimes customers are confused whether it is a product that is given or released by zeribowl.

**Table 1.1 Number of complaint in CV Zeribowl Asia Megamas Medan for the last 6 Months (October 2018 to March 2019)**

Months	Number Of Complaint
October 2018	31
November 2018	35
December 2018	40
January 2019	45
February 2019	47
March 2019	50

Sources : CV Zeribowl Asia Megamas Medan

And based on the table above, it can be seen that the number of complaints came from the customers in CV Zeribowl Asia Megamas Medan had been increasing since October 2018 to March 2019. This definitely will create problem for CV Zeribowl Asia Megamas Medan. Therefore, the writer is interested to find out what is the main problem the company faced

Based the description above, the writer decides to conduct a research with the title **“The Impact of Product Innovation towards Customers loyalty in CV Zeribowl Asia Megamas Medan.”**

## 1.2 PROBLEM LIMITATION

Due to the limitation and knowledge, the writer limits the subject of this final paper with purpose to make the writer easier to do this final paper. For variable X which is product innovation, the writer will focus on the dimensions of the product innovation. According to

Wawan, et al., (2015, p.108,109) said that product quality, variant product, and design and product style”. And due to the time and limitation of knowledge from the writer, for the variable “Y which is customer loyalty the writer will focus on the characteristic of customers loyalty. According to Nayaakyasa(2014), it is to make a repeated purchases regularly , purchase across product and service lines, refer to other people, and demonstrate immunity to competitors attraction.”

### **1.3 PROBLEM FORMULATION**

Based on the background of study above, therefore the problem formulation in this research paper are as follows:

1. Is there any impact of Product Innovation on Customers Loyalty at CV Zeribowl?
2. Is there any relationship between Product Innovation and Customers Loyalty?
3. Is there any relationship between Customers Loyalty to CV Zeribowl?

### **1.4 OBJECTIVE OF THE RESEARCH**

The purposes in doing this research are as follows:

1. To investigate the influence of product innovation on customers loyalty
2. To examine the effect of customers loyalty
3. To examine the influence of customers to the company

## **1.5 BENEFIT OF THE RESEARCH**

### **1.5.1 THEORETICAL BENEFIT**

By this paper, it will give benefit to reader / future researcher that need references in the future about product innovation towards customers loyalty. This paper will also get knowledge and information to the reader.

### **1.5.2 PRACTICAL BENEFIT**

a. For the writer, it helps the writer to more understand to make an essay, and also understand the problem research and got the solution, and the writer can improve knowledge about product innovation and customers' loyalty

b. For the company, the company will understand the customers, because from the research itself, it tells what company should do to make the customers stay loyal to the company, company knows better about their performance to the customers whether it is already good or still needs improvement. Company knows better what customer wants, what they should do to improve their service to make them loyal.

c. For others researchers, for other research will help the research he is doing, will increase his insight about product innovation and loyalty, and as references for future research on similar areas.

## **1.6 SYSTEMS OF WRITING**

The final paper will consists of five chapters with systems of writing as follows:

Chapter I : Introduction

This chapter is explaining about the reason of this final paper: background of study, problem limitation, problem formulation, objective of the research, benefits of the study: theoretical benefit and practical benefit, system of writing.

- Chapter II :** Literature Review & Hypothesis Development  
This chapter contains of the grand theories and the supporting theories that relate to the topic especially about product innovation that effect to the customer loyalty at Zeribowl , previous research, hypothesis development of the topic, research model to be used, and framework of thinking.
- Chapter III :** Research Methodology  
This chapter contains of description of research design applied, population and sample, data collection method to be used, operational variable definition and variable measurement, and data analysis method to be applied.
- Chapter IV :** Data Analysis and Discussion  
This chapter is explaining about general view of “research object”, data analyzing of the result that has been conducted in the research, and discussion of the data analyzing from the research.
- Chapter V :** Conclusion  
This chapter contains the conclusion of the research paper, implication of the research paper, and giving recommendation to the company