

# CHAPTER I

## INTRODUCTION

### **Background of the Study**

Nowadays, health issue is the crucial issues that people aware in this life. To get healthy, there is some way to achieve it such as doing an exercise indoor and outdoor. Outdoor exercise can be cycling, jogging, climbing and so on that this exercise can be done in limited time. Indoor exercise can be done everywhere which include weight training, treadmill, static cycling and so on. For those who are working, they can do workouts indoor such as treadmill, weight training yet for those who did not have any space for indoor training can do such exercise in a gym as a member.

Sport industry has many branches such as gym, swimming, golf, bowling, muaythai, boxing and so on. According to Badan Statistik Indonesia (2016), in North Sumatera, around 139,378 in 2015 people has registered in *Sensus Penduduk* with a growth rate of 1,36% from 2010 to 2015. It represents that the business can developed in North Sumatra since there are more than 139,378 people with the growth rate of 1,36% counted from 2010 to 2015.

According to Badan Pusat Statistik Medan (2020), around 286.848 at 2020 people have registered in *Sensus Penduduk Kota Medan* with a growth rate of 12.46% which represents that fitness center businesses have a big opportunity in Medan.

Since 2020 worlds are facing a pandemic situation that makes some business collapse. According to Badan Pusat Statistik (2020), economic growth from 2019 to 2020 has decrease from 4.97% to 2.97% because the of pandemic situation force us to not going outside then the economy turnover get rid.

According to Badan Pusat Statistik (2019) Indonesia growth rate of average income on 2016 to 2019 has decrease from 10.59% to 4.17% so that their purchasing power of Indonesia people become low and it affect the business. During the pandemic situation create a bad effect for business sector, such as restaurant, gym and human resource also get the effect of it. People are frightened of the pandemic so that they decided to create a new lifestyle with do some maintain cleanliness and keep their healthiness by doing some exercise which creating a good opportunity for fitness center business to survive. This business had a great chance to increasing their market for the next years.

Average income also determines the direction in which purchasing power will go. If higher, people tend to spend their money for need and want or for their healthiness. According to Kotler et al (2009) as cited on Mabkhot et al (2017) Brand image is defined as “ the perceptions and beliefs held by consumers, which are combined in consumer memories, good or bad behavior committed by the company can directly remembered by customers.

Brand image is a main thing and have a big influence for the emotional and attitudes that showed from the company is good, it creates a customer satisfaction and loyal to the company. Customer satisfaction and customer loyalty will happen if they get what they want.

Customer satisfaction is the value level of customer happiness with the services and products produced by the company and the extent to which it can meet customer demands and desires and generally, refers to those who buy goods or services (Hashem, 2020). Customer satisfaction can affect the income of a company in the other word the customer is a king. If the customer satisfied with the product or services, they would become loyal if did not they will be lost customer loyalty directly. Customer satisfaction can be seen through expression and their respect.

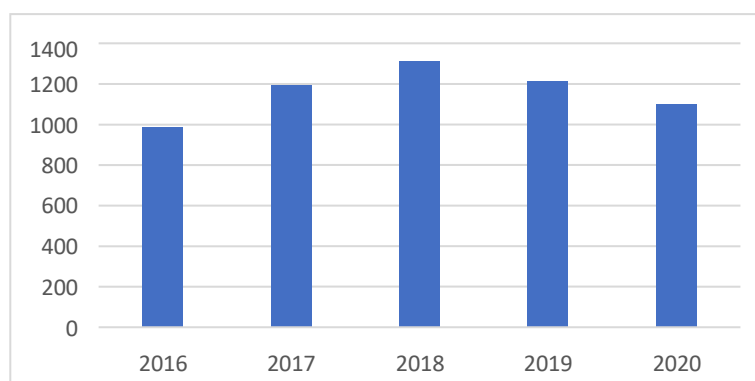
García-Fernández et al (2018) defined customer loyalty in public fitness center and other centers. All are scored based on quality, satisfaction, and value. Customer loyalty is the most important part besides customer satisfaction because customer loyalty will be achieved if customer satisfaction has been fulfilled by a company in terms of service and goods. In other to survive the business, a good branding must be applied. Brand image awareness creates customer satisfaction that refers to customer loyalty.

In North Sumatera especially in Medan, there are some fitness-centers open. One of the fitness is called New Life Gym. This gym has opened since 20 November 2014 which is located at Lippo Mall 2<sup>nd</sup> and 3<sup>rd</sup> floor at Jl. Imam Bonjol Number 6. New Life Gym is the newest fitness brand that opens in Medan which attracts some influencer for joining this fitness center member. New Life Gym provide many kinds of facilities which are classes, there are classes which is rpm, body pump, combat, zumba and yoga.

According to Ms. April (2021) as Duty Manager at New Life Gym, Medan, RPM classes is a cycling class that have several tracks that can burn calories more than 500, body pump is a weightlifting class that can make ideal body, combat is a cardio class that can burn calories more than 600, zumba is a dance class with a hip hop song and yoga is a class that make body flexibility and not just classes there also have a personal trainer that can help us to more discipline when workout.

Normally, fitness center is a place for them to work out and the place for them to get healthy, but now fitness center is a place for them to expand their relationship with each other by meeting new relatives. On the other hand, eldest also having their free time for going to the gym with a reason for their healthiness and getting rid form their boredom.

Since this pandemic era, fitness center in Medan has many rivals and some gym participates by making a low price but good quality. People register themselves to cheapest gym to maintain their healthiness.



**Figure 1.1 Active member data 2016-2020**

Source: Prepared by the Writer (New Life Gym Medan, 2021)

**Table 1.1 Active member data 2016-2020**

Year	Number of active Member	Percentage (%)
2016	987	
2017	1193	20,8%
2018	1310	9.8%
2019	1211	-7.5%
2020	1100	-9.1%

Source: Prepared by the Writer (New Life Gym Medan, 2021)

As projected on the table, the number of active members in New Life Gym Medan from 2016 to 2020 shown that there was an increasing member during 2016 to 2018 while in 2019 to 2020 is discuss more how many percentage decrease or increase.

Based on the interview that writer conduct with duty manager of New Life Gym Medan Ms. April stated since 2016 until 2018 amount of customer change percentage is increasing where in 2017 it has increased 20,8 percent while in 2018 it also increased as big as 9.8 percent. Since, 2019 until 2020 the active member has decreased 7,5 percent in 2019 and 9,1 percent in 2020, it happened because of some factors such as the parking lot problems, conflict that happened between members in the fields. In this paper the writer is going to extend about brand image effect on customer satisfaction and customer loyalty. Thus, writer choose **“The Effect of Brand Image on Customer Satisfaction and Customer Loyalty at New Life Gym, Medan”** as a title to do a further research of how the images of brand effecting the customer satisfaction and customer loyalty with the problems that is established on the fields while New Life Gym creating its value by having an exclusive member such as influencer as a member.

### **Problem Limitation**

There are many factors that is happen and affect satisfaction & loyalty which are facilities of parking lot, atmosphere, and internal problem while New Life Gym is a famous fitness center because of the member popularity. In this fitness center, many influencers are becoming the member. So, the writer limits the problem to brand image effect to customer satisfaction and loyalty. This gym was chosen by the writer due to ability gain permission to do the research and to determine how does the Brand image effect on customer satisfaction and customer loyalty.

However, due to time & budget constraints problem limitation in this research is as follows:

1. This research only limit to New Life Gym that is located in Lippo Plaza Medan.
2. The questionnaire will be distributed to the member that has been minimum one year at New Life Gym using online questionnaire.
3. The variable that is used will limited to Brand Image as Independent variable, Customer Satisfaction as Mediating variable and Customer Loyalty as Dependent variable
4. The indicator of brand image based on the theories are: corporate image; product image; user image while customer satisfaction indicator based on theories consist of suitability of expectations, performance, customer assessment whereas based on theories, customer loyalty indicators

includes customer make repeat order regularly, purchase across product and service line, mouth to mouth references, customer not easily influenced by other competitors to move.

### **Problem Formulation**

Based on background of study, some research questionnaires are to be formulated as follows:

1. How is the effect of Brand Image on Customer Satisfaction at New Life Gym, Medan?
2. How is the direct effect of Brand Image on Customer Loyalty at New Life Gym, Medan?
3. How is the effect of Customer Satisfaction on Customer Loyalty at New Life Gym, Medan?
4. How is the indirect effect of Brand Image on Customer loyalty with Customer Satisfaction as mediating variable at New Life Gym, Medan?

### **Research Objective**

Based on the background of study and the problem formulation which has been listed, the purpose of this research is:

1. To describe the effect of Brand Image on Customer Satisfaction at New Life Gym, Medan
2. To investigate the direct effect of Brand Image on Customer Loyalty at New Life Gym, Medan

3. To analyze the effect of Customer Satisfaction on Customer Loyalty at New Life Gym, Medan
4. To explain the indirect effect of Brand Image and on Customer Loyalty with Customer Satisfaction as mediating variable at New Life Gym, Medan.

### **Benefit of the Research**

#### **Theoretical benefit**

According to the theoretical benefit, the benefit of this study is to enrich the theory especially, in hospitality management which is related brand image on customer satisfaction and customer loyalty of New Life Gym, Medan. Furthermore, this research can also be used as a reference for next researcher.

#### **Practical Benefit**

The following are the practical benefit of this research:

1. For the writer, to gain information and expand the knowledge about Brand Image, Customer Satisfaction and Customer Loyalty that have important role on business.
2. For the company, to help New Life Gym to evaluate and use a research result as a recommendation or New Life Gym in increasing Customer Satisfaction and Customer Loyalty.
3. For other researchers, to help the next researchers use this research as a guideline for their next research.