

# CHAPTER I

## INTRODUCTION

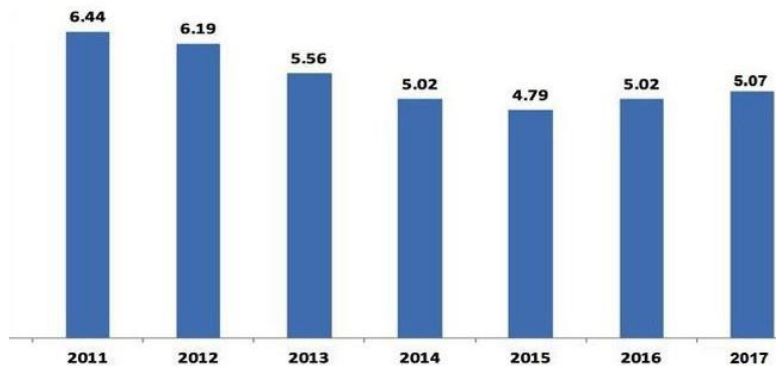
### 1.1 Background of the study

The development of technology and industry has an impact on human life, especially the business world at this time. The number of businesses that have established up both small and large companies has an impact on intense competition between companies both similar and non-similar, therefore marketing is one of the activities carried out in the face of competition, business development and to earn profits. Companies in winning the competition must display the best products and can meet the tastes of consumers who are always developing and changing. Therefore, it is very important for companies to know the consumer needs which is always developing and various kinds, producers must understand the needs of consumers in order to achieve customer satisfaction. ([www.quora.com/What-is-the-use-of-technology-in-industrial-development](http://www.quora.com/What-is-the-use-of-technology-in-industrial-development) downloaded on April 10,2019)

Technological and industrial developments in Indonesia are accompanied by the increasing economic growth of the people from year to year. This causes the lifestyle of a society can change especially in terms of style of dress, shoes and others. especially in Indonesia Southeast Asian Asia, it also has an impact on the apparel, sneakers, shoes and fashion sports industries. Further more in the millennials era of sport shoes and sneaker people tend to use, as a complement to fashion, so this is a change that affects people's fashion styles in the Southeast Asia region. Lifestyle according to (Kotler, 2002) is a person's lifestyle in the world expressed in his activities, interests, and opinions. Lifestyle describes "the whole person" in interacting with their environment. ([www.hit-tech-indonesian.co.id](http://www.hit-tech-indonesian.co.id) downloaded April 10,2019)

The figure below shows Indonesia's economic growth in 2014 grew at a rate of 5.02%. In 2015 the global crisis that was sweeping the world, also affected Indonesia's economic growth, which experienced a drastic decline of 0.23%. In 2016

rose by 0.23% back to 5.02%. Indonesia's current economic growth is recorded at 5.07% ([www.ekonomi.kompas.com](http://www.ekonomi.kompas.com) downloaded on April 10, 2019).



**Figure 1.1 Indonesian Economic Growth 2011 - 2017 (%)**

([www.ekonomi.kompas.com](http://www.ekonomi.kompas.com) downloaded on April 10, 2019)

Adidas realizes this great opportunity for shoe companies to enter the Indonesian market. Adidas entered the market in Indonesia since the 90s, They provide a good brand image and the quality of shoes they offered they could dominate the market in Indonesia. Adidas was first established by Adolf Dassler in his mother's house; he was joined by his elder brother Rudolf in 1924 under the name Dassler Brothers Shoe Factory. Dassler assisted in the development of spiked running shoes (spikes) for multiple athletic events. To enhance the quality of spiked athletic footwear, he transitioned from a previous model of heavy metal spikes to utilizing canvas and rubber. Dassler persuaded U.S. sprinter Jesse Owens to use his handmade spikes at the 1936 Summer Olympics. In 1949, following a breakdown in the relationship between the brothers, Adolf created Adidas, and Rudolf established Puma, which became Adidas' business rival. Adidas' logo is three stripes. ([www.sneakers.co.id/history-shoes-adidas](http://www.sneakers.co.id/history-shoes-adidas) downloaded on April 11, 2019)

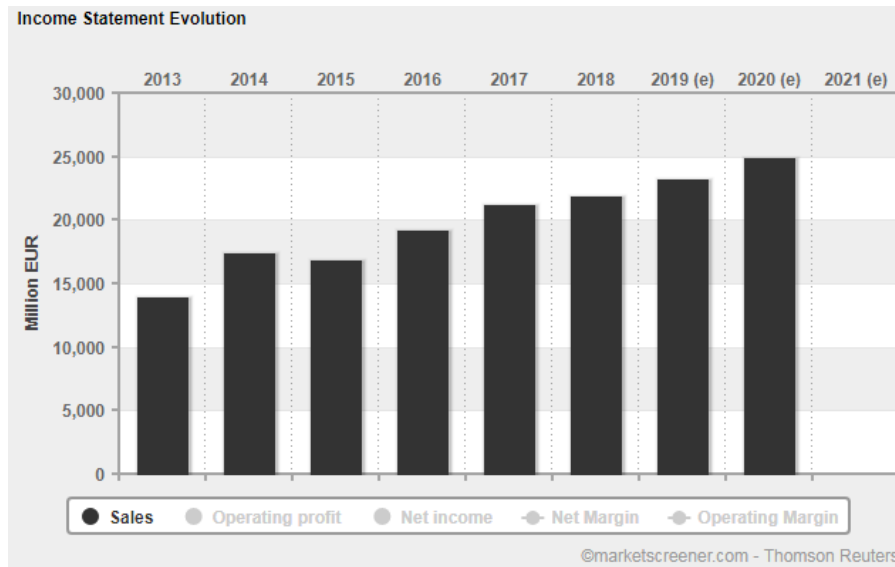
The main target of these shoe products are people who have a dynamic and active lifestyle according to the image of adidas brand, considering that in the present era there are many new products that have sprung up including fashion products, services, and also shoes. Especially teenager and youth, they really understand the meaning of a brand which has good quality and appearance. Consumers think that

brands can provide added value for those who use it, this occurs because of the perception that consumers are interested in buying it. According to (Kotler, 2003) Adidas has built a brand image for many years in Indonesia especially in Surabaya and has created a brand image that is very good and so attached to the hearts of its loyal consumers.

In Indonesia there are also several Adidas factories operating. One of them in the Jakarta area, the factory was named GEOX. The two principals of Korean shoe manufacturers with the Adidas and Geox brands will build a new factory in Indonesia with a total investment of 150 -200 million US dollars. This is inseparable from the factory relocation and transfer of shoe orders to Indonesia.

This driving factor is because Indonesian labor is considered competitive. In addition, Indonesia has begun to deal with energy issues and become a country that is quite compliant in terms of international trade provisions. If the export performance continues to be improved in the next few years, Indonesia is expected to become the second largest shoe production base in the world in the next two years, shifting the position of Vietnam. The two companies closed their factories in Vietnam and China, then relocated to Indonesia. one of Adidas's most popular products in Indonesia is futsal shoes and soccer shoes. with various ingredients, Adidas always releases the latest innovations. ([www.indonesian-factory.co.id/adidas-labor//review](http://www.indonesian-factory.co.id/adidas-labor//review) downloaded on April 12, 2019)

The reputation of the Adidas company is undoubted, Adidas has built its brand image, one of which is by sponsoring world sports athletes such as the world's best soccer player Lionel Messi from the Barcelona club. With this, Adidas wants to remind consumers that they are the kind of person they will get when they buy Adidas products. In other words the image of the Adidas brand is very good and strong both in Indonesia and even in the world, with this step Adidas became a provider of quality shoes and sport apparel located in Surabaya Indonesia. Adidas was first opened in Jakarta and then opened a branch in Surabaya, in Surabaya itself Adidas has several branches located in Tunjungan Plaza, Ciputra world, Galaxy Mall and Pakuwon Mall ([adidas-indonesia.co.id/store-locations](http://adidas-indonesia.co.id/store-locations) downloaded at dated April 10, 2019).



**Figure 1.2 Adidas market domination (2018)**

(www.talkmen.com downloaded on April 11, 2019)

**Table 1.1 Financial chart of Adidas company South-East Asian**

(www.marketscreener.com/ADIDAS-AG-ADR-8382863/financials/ downloaded on April 12, 2019)

Brands	Market Share
Nike	30%
Adidas	29.6%
Reebok	17%
Diadora	15.3%
Puma	14.2%
Skechers	12%

**Table 1.2 Adidas market sales data Indonesia**

(www.topbrand-award.com/ downloaded on April 16, 2019)

Brands	2016	2017	2018
Adidas	31,9%	28.5%	34.6%
Nike	13,9%	33.9%	29.2%
Reebok	11.2%	6.2%	5.8%
Diadora	10.0%	6.0%	5.4%
League	3,70%	3,50%	4.2%

**Table 1.3 Adidas Top brands 2018**

(www.topbrand-award.com/top-brand-survey downloaded on April 16, 2019)

<b>Brand</b>	<b>Percentage</b>	<b>TOP</b>
<b>Adidas</b>	<b>34.6%</b>	<b>TOP</b>
<b>Nike</b>	<b>29.2%</b>	<b>TOP</b>
<b>Reebok</b>	<b>5.8%</b>	
<b>Eagle</b>	<b>5.4%</b>	
<b>Ardiles</b>	<b>4.2%</b>	

According to (Kotler and Keller, 2013) states that Customer loyalty comes from on performance of the store, while expectations come from purchases that consumers have previously bought, or opinions from other people to the promises that competitors give. Consumers who are committed to remaining loyal in buying a product or service from the company will continue to survive in the long term despite the influence of the situation and the efforts made by other marketers that have the potential to cause consumer behavior to switch.

The data above (figure 1.2) shows the results of overall Adidas sales in the South-East Asian, from the data above it can be seen that Adidas gets a sales position that is increasing every year. Customer loyalty is very essential to the organization in order to retain its current customers. It is because customer's loyalty can serve several benefits to the organization. Loyal customers are less price-sensitive reduce marketing expenditures for attracting new customers and improved organizational profitability (Rowley,2005). From the sales data above, it can be seen that many Adidas shoes buyers throughout the world, which is an indication of Customer loyalty, will always be used by Adidas consumers. This can be seen from the sales of Adidas shoes which are increasing from year to year.

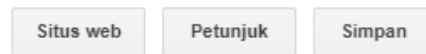
The table and chart (figure 1.2) shows that Adidas shoe sales experienced a drastic increase in 2018 with a growth value of 6.1%, which shows that Adidas is one of the shoes with the highest sales and consumers in Indonesia, especially youth and teenagers. This was also reinforced by the awards won by Adidas in the form of Millennials top brands awards. Indonesia Millennial Top Brand Award is an appreciation given by "Warta Ekonomi" magazine to companies that have succeeded in making their products become Indonesia's millennial choice. The survey was

conducted on social media users in all regions of Indonesia in the period October-December with a high sales value, giving an indication that the customers of Adidas are loyal buyers so that sales of Adidas Shoes from year to year crawl up. (www.wartaekonomi.co.id/ downloaded on April 17, 2019)

Store affect as the self-reported intensity of the subjective experience of positive feelings towards a store and loyalty as the level of interest, repurchase or attitudinal, in the store. Affect is also the subjective experience associated with arousal. (According to Mandler 1982) According to the definition of store affect Adidas has provide their store around the world using their quality design by three stripes of logo. Adidas believes that good vibes of their store will also affect the mood and willingness to buy the product. This also evidenced from the Adidas especially in Indonesia store which provided satisfying services they believed that the customer was also part of the Adidas extended family.

Thus, positive feelings towards a store should engender an interest in continuing both a behavioral and attitudinal relationship with the store. Adidas provides various types of shoes for sale, thereby increasing the interest of buyers. This is also supported in terms of good Adidas service so that Store Affect plays a very important role in the sales of Adidas products which prioritize service, and are enthusiastic about shopping in stores. From the picture below results of the google review assessment, it can be seen that the affect store of Adidas has a relatively good value so that consumers using Adidas are a proof that store affect and store familiarity has an important role for Adidas.

# Adidas



4,6 ★★★★★ 29 ulasan Google

Toko perlengkapan olahraga di Surabaya, Indonesia

Toko ritel yang menjual sepatu olahraga khas, pakaian & aksesoris bermerek.

Berlokasi di: [Tunjungan Plaza Surabaya](#)

**Alamat:** Level UG, Tunjungan Plaza 3, Jl. Basuki Rahmat No.8-12, Kedungdoro, Tegalsari, Surabaya City, East Java 60261

**Jam buka:** Buka · Tutup pukul 22.00 ▼

**Provinsi:** [Jawa Timur](#)

**Telepon:** [\(031\) 5472039](#)

## Figure 1.3 Adidas Store – Tunjungan plaza review on Google

(www.googlereview.com downloaded on April 13, 2019)

Store Convenience is a part of retail industry which is a strategic industry in its contribution to the economy. The retail industry is influential in the lives of all groups, from entrepreneurs, workers, to end-user consumers. This industry plays an important role as the last channel that connects end-user consumers to the production process and distribution chain. Indonesian society has a population of 265 million and continues to increase every year. Indonesia has been named as the fourth most populous country in the world. With a large population and a very wide area, the level of consumption of clothing, food and shelter needed is also large. This makes Indonesia a potential market for the retail industry, both in terms of investment and the consumption side (www.ajarekonomi.com downloaded on April 16, 2019).

Consumers with convenience orientation in shopping have characteristics, which are happy if they can save time shopping, happy if they can freely determine the time of shopping without being limited by holidays, shop is easily to find and no time limitations. In addition, convenience-oriented consumers usually always try to minimize the effort to go to the store and minimize the annoying actions that may be obtained from others when shopping at a store such as sales promotion girl behavior that is too pushy, other consumers who do not want to queue, poor service given and

so on. However, consumers with a comfortable level of orientation in shopping usually respond fairly well to advertisements and recommendations of others so they often make impulse purchases (Korgaonkar, 2003).



**Figure 1.4 Adidas Store Tunjungan plaza 1**

(www.googleimages.com downloaded on April 16,2019)

Adidas store itself has many branches in Indonesia ranging from large stores to small stores that are easy to find Adidas stores is one of the main keys to attracting consumers in Surabaya, the Adidas Convenience store sells several sports equipment such as shoes, sports apparels and safety apparel . Adidas stores themselves have a pretty good rating, this is evidenced by their providing good shop facilities starting from seating, dressing rooms and services that are very helpful so consumers can feel comfortable at the Convenience store which located in Surabaya.

([https://shop.adidas.co.id/?cm\\_mmc=AdieSEM\\_Google\\_-\\_PPC-B-brand-OtherBMM](https://shop.adidas.co.id/?cm_mmc=AdieSEM_Google_-_PPC-B-brand-OtherBMM))





**Figure 1.5 Adidas three stripes store – Surabaya, Tunjungan plaza 5 .**

([www.sneakersholic.com](http://www.sneakersholic.com) downloaded on April 13, 2019 )

Store familiarity According to (Alba and Hutchinson, 1987), familiarity is the amount of experience that consumers have gathered about a product or brand. Adidas has a high store familiarity with its three stripes symbol, every consumer who comes and sees Adidas store feels familiar with the three stripes they have. Store Familiarity is an atmosphere or store environment that can stimulate the five senses of consumers and influence consumers' perceptions and emotions of stores (Levy and Weitz, 2012). This greatly helped Adidas in terms of the brand image they had that people would feel familiar with Adidas stores throughout the world, because they had the same familiarity and eye-catching design. As how Adidas consumers feel that buying shoes through a store is better than through a website because consumers cannot immediately try, from this Adidas tries to provide high store familiarity. ([www.the.review.com/adidas-store-ind-review/](http://www.the.review.com/adidas-store-ind-review/) downloaded on April, 13 2019)

Furthermore, Merchandise Quality has been related to the pleasure resulting from obtaining a good deal (Grewal, Monroe, and Krishnan 1998a). Merchandise

quality is an imperative, As a company we have to manage the risk of selling defective products that may resulting in consumers reluctant to buy and impair our image. To mitigate this risk, we have company-wide product safety policies in place that ensure we consistently apply physical, chemical product safety and conformity standards across all brands of the company. To ensure Merchandise quality and consumer-safe products, all materials and product samples have to pass a rigid compliance process and are tested in accordance with standardized material and product testing specifications and procedures.

Dedicated teams monitor the quality of our products on all levels of the supply chain through rigorous testing prior to production, close cooperation with suppliers throughout the manufacturing process, random testing after retail delivery, open communication about defective products and quick settlement of product liability claims when necessary. ([www.adidas-group.com](http://www.adidas-group.com) downloaded on April 14, 2019)

Besides ensuring safe and environmentally sound products within our core product ranges, we constantly monitor and educate branded product areas that may have special risk profiles. These areas range from promotional items with bioactive textiles (ones that can interact with living organisms) to personal protective equipment, electronic devices and children's and babies' clothing. ([www.adidas-group.com/en/sustainability/products](http://www.adidas-group.com/en/sustainability/products) downloaded on April 14,2019)



**Figure 1.6 Adidas Best Quality Wear Resistance Sport Skateboard Shoes Men Grey White Limit** ([www.complex-wear.com/adidas-best-quality](http://www.complex-wear.com/adidas-best-quality). downloaded on April 14,2019)

The picture above shows Adidas products that have been recognized for their quality with quilted stitching and suede leather at competitive prices. which other Adidas shoes competitors have not been able to apply in skateboarding shoes as well as Adidas, this is what makes Adidas' merchandise quality higher than its competitors, so people want to buy products from Adidas not only design and color but also their quality. ([www.undrestimated.com/adidas-best-quality](http://www.undrestimated.com/adidas-best-quality). downloaded on April 14,2019)

In this study case will examine the factors that influence consumers in doing Customer Loyalty. From the discussion above, it can be seen that competition in the field of sport apparels and shoes currently has several competitors because of the many companies in the field of sales of Sport Apparel and Shoes. Therefore it is important for Adidas to be able to compete, survive and grow in the Indonesian market. Therefore this study will discuss the variables that affect Adidas Customer Loyalty.

## **1.2 Research limitation.**

In a this project study, a problem is needed. The Purpose is to strengthen research in the field of observation. In this case, Research is limited by researching the influence of Merchandise Quality, Store Familiarity, Store Convenience, and Store Affect towards Customer loyalty of Adidas in Surabaya will be discussed.

1. The study only analyzes five variables consisting of three independent variables, namely Merchandise Quality, Store Familiarity, Store Convenience, Store Affect and one Dependent variable Customer Loyalty.
2. The object of this research is Adidas store, Surabaya
3. The research was conducted in Surabaya, East Java
4. Questionnaires are limited only to people who used a product from Adidas, Surabaya
5. Research and analysis of the questionnaire results using software tools SPSS 22.0
6. The questionnaire is limited to 18-60 years old
7. Research conducted in 2019

8. The research intended for customers who have purchased Adidas products in the past 6 months
9. The research intended for customers who have visited and purchased Adidas products about 2 times in the past 12 month.
10. To know about the competitor of Adidas who run in the same business.

### **1.3 Research problems**

Based on the background and limitations of the above problems, then the formula the problems in this study are as follows :

1. Does the Merchandise Quality have a significant effect on Store Affect towards Adidas customers in Surabaya.
2. Does the Store Familiarity have a significant effect on Store Affect towards Adidas customers in Surabaya.
3. Does the Store Convenience have a significant effect on Store Affect towards Adidas customers in Surabaya.
4. Does the Store Affect have a significant effect on Customer Loyalty towards Adidas customers in Surabaya.

### **1.4 Research Objectives.**

From the description above, the purpose of this study is:

1. To find out the significant effect of Merchandise Quality on Store Affect Adidas customers in Surabaya
2. To find out the significant effect of Store Familiarity on Store Affect Adidas customers in Surabaya
3. To find out the significant effect of Store Convenience on Store Affect Adidas customers In Surabaya
4. To find out the significant effect of Store Affect on Customer Loyalty Adidas customers in Surabaya

### **1.5 Research Contribution.**

1. This research was conducted in order to provide information and Knowledge and can broaden people's horizons, especially in the field of Management regarding Merchandise Quality, Store Familiarity, Store Convenience, Store Affect and Customer Loyalty. The results of the study can support previous theories regarding the interest between each variable.
2. The results of research can be a tool/source and reference for researchers Next, you want to raise a similar theme or use relationships between certain variables.

#### **1.5.1 Theoretical benefits**

1. This research was conducted in order to provide information and knowledge and can broaden people's horizons, especially in the field Management regarding Merchandise Quality, Store familiarity, Store Convenience, Store affect and Customer loyalty of Adidas product. Research results can support previous theories regarding the relationship between each variable.
2. The results of the study can be a tool and reference for researchers the next one who wants to raise a similar theme or use relationships between certain variables which on the other hand can help facilitate research searches.

#### **1.5.2 Practical contribution.**

1. This research can be used as information and materials consideration for companies in improving Merchandise Quality, Store Familiarity, Store Convenience, Store Affect and Customer loyalty.
2. As an input to Adidas management to determine what strategies should be used to continue to grow in increasingly fierce competition, especially in markets that are teenager and youth users, either long-term strategies or short-term strategies that can be implemented according to the situation

## **1.6 Research outline**

**The Research outline in this study are as follows:**

### **CHAPTER I : Introduction**

Describes background, problem identification, formulation problems, research boundaries, goals and benefits, and writing systematics.

### **CHAPTER II: Literature Review**

Literature Review and Development of Hypotheses This chapter describes the study of libraries and hypotheses that become basis in preparing proposals. Review the literature and the hypothesis will used as a basis for conducting analysis and as a basis discussion to give conclusions, implications and recommendations.

### **CHAPTER III: Research Methodology**

Research Methods This chapter describes methods and types of definition research operational, data types, sources, population, tools, targets and characteristics, samples and sampling techniques for data collection procedures and scales, as well as data processing.