

CHAPTER 1

INTRODUCTION

1.1 Research Background

The city of Banyuwangi is the administrative capital of Banyuwangi Regency at the far eastern end of the island of Java, Indonesia. It had a population of 1.564.833 people from the census on 2011. Banyuwangi (the name means "Fragrant Water") is built in the centre of the east coast of Java, with the backdrop of the Ijen Plateau to the west, and with fine views across the Bali Strait (Selat Bali) to the island of Bali lying to the east. The principal market area is along the Jalan Susuit Tuban, the street which links the town square (or alun-alun) with the sports stadium (Stadium Diponegoro) a half-kilometre to the southeast.

<http://banyuwangikab.go.id/profil/kependudukan-dan-naker.html>.

From the census economy at 2006 (SE'06) there are total of 207.577 business outside of agriculture in Banyuwangi. From this data, there are total of 81.629 business that operates without building and even though it uses, it doesn't permanent, and furthermore there are 125.948 of business that already use permanent building. If we reviewed based on the business segmentation, then business that operates based on trade are still the most favourite business in Banyuwangi, there are total of 95.445 business, while there are 42.559 business based on industry and 20.847 business that based on services. In 2014 total of income per capita in Banyuwangi reach 25.500.000 Rupiahs, while the gross domestic product (GDP) reach 40.8 trillion Rupiahs. It shows that there are increasement around 70% in both income per capita and gross domestic product (GDP).

<http://www.republika.co.id/berita/nasional/daerah/15/04/10/nmlndu-pendapatan-per-kapita-banyuwangi-melonjak-tajam>

<http://banyuwangikab.go.id/profil/ekonomi.html>

Food and beverages is one of the most favourite business in Banyuwangi, the business is spread evenly in every districts of Banyuwangi, such as Srono, Muncar, and Rogojampi. Traditional and local food such as rujak soto, nasi tempong, and rujak cingur is become one of the most popular food in this

business, it makes things such as western food and cakes shop is a prospect business that can turn out very well in Banyuwangi, because there are not much rival yet. As we can know that everybody loves cake and everyday there is always someone that celebrate a birthday, to celebrate and make it more memorable the cake is become one of the best solution for it, especially when we can make a request and custom our own cake based on our need. By looking at how good the prospect business from cake shop, it is predicted that there will be more cake shop that operates in Banyuwangi, to keep maintain the rivalry, every cake shop need to know that there are some variables that can affect store loyalty, because store loyalty is one of the key of success for every firms to maintain the rivalry with other firms. There are some factors that will be analyzed that can affect the store loyalty itself, such as physical design, atmosphere, employees, self congruity, product quality, prices, service quality.

<http://banyuwangi.org/prospek-bisnis-banyuwangi/>

Queen Cakes is a cake shop owned by Ma'am Esther Adel and located on Jl. Anggrek, Rogojampi, Banyuwangi, East Java 68462. This cake shop is established since 2013. Queen Cakes takes Jl. Anggrek as its location because there is no other cake shop around that street, beside that an easy access to that street become one of the advantage also. Not only sell a cake, Queen cakes also takes a request, a custom cake that a customer can order based on the customer's references and needs, it also provides some basic tools and ingredients in making cake. The top priority of this shop is service quality, its make the price of the product is relative the same with the other rival in Banyuwangi. The service quality that Queen Cakes offers also become one of the comparative advantage that builds the customer loyalty, it makes the customer keeps getting back and buy from this shop.

Store loyalty based on Jacoby and Kyner (1973) is "Behavioural response as a function of psychological process" The concept of store loyalty is derived originally from the brand loyalty concept which refers to the tendency repeat purchase the same brand. Queen Cakes shop has this variable already, it is proven by when this shop is established at 2013, the customer of this cake shop is keep

increasing and the average attendance of the customer is more than once to Queen Cakes shop.

http://www.iimahd.ernet.in/publications/data/2006-10-06_skaul.pdf

The variable that can affect store loyalty is: (1) Prices based on Kotler and Armstrong (2001: 439) is the sum of all the values that customers give up to gain benefits of having or prices can also be defined as using a product or service or the amount of money expected, required, or given in payment for something. Price is one of the most important variable in Queen Cakes shop. Queen Cakes shop set the price of its product relatively the same with the other rival, by looking at the price of the raw materials to make the cake such as flour, egg, butter, and etc, Queen Cakes set the price as reasonable as possible, and for the custom cake that the customer's order, the price is setted by looking at how complex the request and how much the materials that is required to make the cake. All the price of Queen Cakes product is compete with the other cake shop in Banyuwangi.

(2) Product Quality, According to Kotler and Armstrong (2012, p.254), Product Quality is the characteristics of a product or service that bear on its ability to satisfy stated or implied customer needs. Product quality can also be defined as "its ability to fulfill the customer's needs and expectations". Quality needs to be defined firstly in terms of parameters or characteristics, which vary from product to product. Queen Cakes shop is proven that already has this variable by looking at the amount of the order and the customer that keep increasing since 2013. The very positive review from all the customer also shows that Queen Cakes shop product quality is already fulfilled what customer's need.

<http://www.gnbsgy.org/index.php/standards-corner/96-understanding-product-quality>



Picture 1.1: Queen Cakes Product Quality

(3) Service Quality is An assessment of how well a delivered service conforms to the client's expectations. Service business operators often assess the service quality provided to their customers in order to improve their service, to quickly identify problems, and to better assess client satisfaction. Quality in a service organization is a measure of the range to which the service delivered meets the customer's expectations. The characteristics of service consist of intangibility, heterogeneity and inseparability. Quality as defined for higher education has been identified by Harvey and Knight (1996).

<http://www.businessdictionary.com/definition/service-quality.html>

Service quality is the most important variable that Queen Cakes shop has, it becomes one of the comparative advantage against the other rival, it shows by the amount of the customer's request is keep increasing years to years, it's also shows that the employees of the Queen Cakes is good enough to fulfill the customer's needs, because taking request from the customer is more complex than making it by their own. Not only that, the customers of Queen Cakes shop is love to spend their time chat with the owner of the shop and the employees also, the amount of request for Queen Cakes shop to open the lesson to make a cake is very high also. The amount of positive review on the online is high also, it really shows that service quality that Queen Cakes offers is in the good quality. The three variables above (prices, product quality, and service quality) is affected by self congruity, self congruity itself is the variable that can affects store loyalty such as: (1) Physical design is a physical looks of the shop itself, that the customer can directly see through eyes, it can affects the comfort and other factor of the customer (Downs, 1970). Queen Cakes shop has already had physical design variable, it shows that by the design of the shop that's colorful and the furnitures being used are very attractive, which is nice to see, it shows at (picture 1.1)



Picture 1.2: Queen Cakes Physical Design

(2) Ambient Atmosphere from the shop is a feel that is unseen and can only be felt by the atmosphere from the shop, such as: scent, music, lighting, and temperature, when the customer first enters the shop (Howell & Rogers 1980). Queen Cakes is proven to have this variable as it shows that there is no pressure for the customer to choose or request the product based on their needs.

(3) Employees (Downs, 1970), by giving services such as: chat with the customer and giving advice to the customer, and the most important thing is knowing what the customer's wants. The employees of Queen Cake shop are proven good already, by looking at the amount of positive review on the online site that's very high, it shows that the employees are good enough to fulfill what the customer's wants. By looking at how high is the amount of the request from the customers, it also shows that the employees of Queen Cakes shop are skilled enough to fulfill what customer's needs. Store loyalty is very important, because the relationship between the shop and the customer can change from the transaction orientation into relationship orientation that can make a customer keep coming back to the shop (Berry 1995; Gronroos 1995; Morgan and Hunt 1994). From this research, it is hoped that by knowing the factors that can affect the customer's loyalty, it can gain a positive effect to the business (Queen Cakes) significantly.



Pictures 1.3: Queen Cakes Employees

1.2 Research Problem

Based on the datas and facts above, this research can be determined as general problem and specific problem. The general problem of this research is the effect of Store Loyalty Queen Cakes's customer in Banyuwangi, and then the other factors that have a significant effect to the Customer Loyalty will be determined as a specific problem. The specific problem of this research is:

1. Does Physical Design effects significantly towards Self Congruity for a customer in Queen Cakes in Banyuwangi?
2. Does Atmosphere Ambient effects significantly towards Self Congruity for a customer in Queen Cakes in Banyuwangi?
3. Does Employee effects significantly towards Self Congruity for a customer in Queen Cakes in Banyuwangi?
4. Does Self Congruity effects significantly towards Product Quality for a customer in Queen Cakes in Banyuwangi?
5. Does Self Congruity effects significantly towards Prices for a customer in Queen Cakes in Banyuwangi?
6. Does Self Congruity effects significantly towards Service Quality for a customer in Queen Cakes in Banyuwangi?
7. Does Product Quality effects significantly towards Store Loyalty for a customer in Queen Cakes in Banyuwangi?
8. Does Prices Quality effects significantly towards Store Loyalty for a customer in Queen Cakes in Banyuwangi?
9. Does Service Quality Quality effects significantly towards Store Loyalty for a customer in Queen Cakes in Banyuwangi?

1.3 Research Objectives

The objectives from this research as a general problem has an objectives to observe and analyzed how far Store Loyalty in Queen Cakes shop in Banyuwangi. And as the specific problem, this research has an objective to:

1. Observing and reviewing the effects of Physical Design towards Self congruity for a customer in Queen Cakes in Banyuwangi.

2. Observing and reviewing the effects of Atmosphere Ambient towards Self congruity for a customer in Queen Cakes in Banyuwangi.
3. Observing and reviewing the effects of Employee towards Self congruity for a customer in Queen Cakes in Banyuwangi.
4. Observing and reviewing the effects of Self Congruity towards Product Quality for a customer in Queen Cakes in Banyuwangi.
5. Observing and reviewing the effects of Self Congruity towards Prices for a customer in Queen Cakes in Banyuwangi.
6. Observing and reviewing the effects of Self Congruity towards Service Quality for a customer in Queen Cakes in Banyuwangi.
7. Observing and reviewing the effects of Product Quality towards Store Loyalty for a customer in Queen Cakes in Banyuwangi.
8. Observing and reviewing the effects of Prices towards Store Loyalty for a customer in Queen Cakes in Banyuwangi.
9. Observing and reviewing the effects of Service Quality towards Store Loyalty for a customer in Queen Cakes in Banyuwangi.

1.4 Research Contributions

1.4.1 Theoretical Advantage

This research is hoped can give contribution to management science and also to create values to show how is the customer loyalty in Queen Cakes shop. This research explains factors that can affect store loyalty towards customer in Queen Cakes in Banyuwangi so it can give generalization from the result of this research in a larger scale. The affect of Self Congruity towards Store Loyalty of customer's Queen Cakes in Banyuwangi from the shop's perception. This research is hoped can give contribution towards further research about the theoretical model that is submitted from this research.

1.4.2 Empirical Advantages

For Queen Cakes in Banyuwangi, Indonesia:

This research is hoped can give positive contribution to the shop regarding about the Store loyalty in the shop itself by learning about every factors that can effect the store loyalty in Queen Cakes.

For the researcher:

This research is hoped can deepens the researcher's knowledge about the store loyalty. It gives the researcher a larger scale of awareness about how the environmental construct can effect significantly the store loyalty and every other factors that can effect it also in further business and research.

1.5 Research Limitation

This research was conducted in order to find out the reason behind store loyalty in Queen Cakes Banyuwangi. This research uses variable such as: Physical Design, Atmosphere, Employees, Self congruity, Product Quality, Prices, Service Quality towards Store Loyalty. Besides that, all the data and information regarding to this research is only limited by the customer of Queen Cakes shop Banyuwangi that had been shop in this store at least once in one last month.

1.6 Research Outline

Reacher outline explain the systematic writing of this study. The outline is divided into five chapters as follow:

Chapter I

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specific the research objectives explored in greater detail to contribute to understand the research problems.

Chapter II

This chapter summarizes the major studies and finding that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to

research problem, an explanation of why it is relevant, and how the modelling effort address the hypothesis to be tested.

Chapter III

This chapter explain the detailed technical and specific activities which include the research design, sampling plan instrumentation, social tools and treatment of data.

Chapter IV

This chapter organizes the logical presentation of all findings in the research questions, and focus on how these key finding relate back to the theory and prior researches presented in the beginning of the study

Chapter V

This chapter outlines the implications, conclusions as recommendation supposed to advance the study of the research topics by its theoretical, methodological or substantive contributions that may be necessary to overcome the limitation of existing empirical facts.